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MEETING

STATE OF CALIFORNIA

INTEGRATED WASTE MANAGEMENT BOARD

MARKET DEVELOPMENT AND SUSTAINABILITY COMMITTEE

JOE SERNA JR., CalEPA HEADQUARTERS BUILDING

1001 I STREET

COASTAL HEARING ROOM

SACRAMENTO, CALIFORNIA

WEDNESDAY, JANUARY 14, 2009

10:03 A.M.

JAMES F. PETERS, CSR, RPR  
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PETERS SHORTHAND REPORTING CORPORATION (916) 362-2345

APPEARANCES

COMMITTEE MEMBERS

Mr. Gary Petersen, Chairperson

Ms. Margo Reid Brown

BOARD MEMBERS

Ms. Sheila Kuehl

Mr. John Laird

Ms. Carole Migden

Ms. Rosalie Mul

STAFF

Mr. Mark Leary, Executive Director

Mr. Elliot Block, Chief Counsel

Ms. Tracey Cottingim, Administrative Assistant

Ms. Kristen Garner, Executive Assistant

Ms. Pamela Kelley

Mr. Jim LaTanner, Supervisor, RMDZ Loan Program

Mr. Howard Levenson, Director, Local Jurisdiction, State  
Agency & Business Assistance Program

Mr. Calvin Young, Supervisor, Grant Programs

ALSO PRESENT

Mr. Steve Alexander, Association of Postconsumer Plastics  
Recyclers

Mr. Michael Blumenthal, Rubber Manufacturers Association

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APPEARANCES CONTINUED

ALSO PRESENT

Mr. Crawford Carpenter, The Newark Group

Mr. Ralph Chandler, Ralph Chandler & Associates

Mr. Pete Grogan, International Paper

Mr. David Hiestand, United States Pipe and Foundry  
Company, LLC

Ms. Karen Jarrell, Smurfit-Stone

Ms. Patty Moore, Plastic Recycling Corporation of  
California

Mr. William O'Grady, Talco Plastics

Mr. Randy Pollack

Mr. Dennis Sabourin, National Associate of PET

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INDEX	PAGE
Roll Call and Declaration of Quorum	1
Public Comment	1
A. Program Directors` Report	1
B. Consideration Of The Recycling Market Development Revolving Loan Program Application For Peninsula Plastics Recycling, Inc. (Recycling Market Development Revolving Loan Subaccount, FY 2008/09)	7
Motion	14
Vote	14
C. Consideration Of The Grant Awards For The Rubberized Asphalt Concrete Grant Programs (Tire Recycling Management Account, FY 2008/09)	15
Motion	37
Vote	38
D. Panel Discussion By Producers Of Recycled Content Materials On The California Recyclables And Commodities Markets	38
Adjournment	124
Reporter's Certificate	125

1 PROCEEDINGS

2 CHAIRPERSON PETERSEN: Good morning, everyone.

3 Welcome to the California Integrated Waste Management

4 Board's Market Development and Sustainability Committee.

5 As a courtesy, please put your cell phones on the

6 silent mode.

7 And, Kristen, could you call the roll, please.

8 EXECUTIVE ASSISTANT GARNER: Brown?

9 COMMITTEE MEMBER BROWN: Here.

10 EXECUTIVE ASSISTANT GARNER: Petersen?

11 CHAIRPERSON PETERSEN: Here.

12 Is there anyone who would like to speak to

13 something that's not on the agenda today?

14 Grand.

15 And I'd like to recognize Member Mulé and Member

16 Kuehl, that is new to our board and an old friend of mine

17 from L.A., who everybody knows is formerly a senator and a

18 fabulous legislator who has done major things and a pal to

19 recyclers. Okay.

20 Anyway, Howard, have you got anything -- you got

21 your report?

22 Great. Thanks.

23 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

24 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Yes, sir. Thank

25 you, Mr. Chair. And good morning, Board members. I'm

1 Howard Levenson, Director of the Sustainability Program.

2 I want to report to you on our training that  
3 we've been rolling out on SB 1016, which obviously was one  
4 of the major legislative accomplishments for the Board  
5 last year. Since late November, we've been rolling out a  
6 series of trainings on this legislation, which the core --  
7 which was to simplify the AB 939 reporting system without  
8 changing its overall goals and to codify the emphasis that  
9 the Board's historically placed on program implementation.

10 So we've held workshops in several regions.  
11 We've been to various Council of Government meetings and  
12 local task force meetings. The most recent was last week  
13 in Los Angeles where we had about 125 people attending,  
14 including Member Mulé who introduced it and talked to a  
15 lot of the -- not all 125, but many of the people there.

16 In general, I think the trainings have been very  
17 well received. And most of the recycling coordinators are  
18 getting it. They're seeing the benefits to their daily  
19 work and that this is going to be a simpler system. And I  
20 think now the biggest concern that we're hearing really is  
21 just, "How do I translate this or talk to my local elected  
22 officials, city councils or board of sups, about what this  
23 means?"

24 And to that end, we're working to enhance our SB  
25 1016 website. You can get to that directly from our home

1 page. There's a little radio button you just click on and  
2 go straight there. We already have a lot of material on  
3 the site, but we're adding in the next couple weeks a  
4 "Frequently Asked Questions" material. And we'll also be  
5 adding a script and a PowerPoint that local recycling  
6 coordinators can use when -- or at least adapt when they  
7 go before their locally elected officials.

8           You know, we couldn't have gotten to this point  
9 without the help of a lot of people. And I want to thank  
10 the Board itself first. The Chair and members Mulé and  
11 Petersen and our prior members worked tirelessly in the  
12 last legislative session to get this passed. And to our  
13 new members, I want to thank you for supporting the  
14 legislation. Obviously, that was a key.

15           And then I also want to thank Elliot Block, to my  
16 left; Cara Morgan, who's probably in the back somewhere;  
17 John Sitts, who's on medical leave right now; and  
18 Elizabeth Huber, for the countless hours that they put in  
19 talking with stakeholders and legislative staff and  
20 legislators to work on this.

21           We've got a great implementation team that's  
22 putting together all this material. It includes Kaoru  
23 Cruz and Keir Furey, Jennifer Caldwell, Steve Uselton,  
24 Jordan Scott and of course Jon Myers.

25           The next steps. We have two more trainings left.

1 We have a January 22nd meeting with CSAC, their executive  
2 council. It's a little smaller group. And then we will  
3 have on January 28th a statewide broadcast from one of the  
4 hearing rooms here - I forget which one - for anybody who  
5 hasn't been to one of the regional meetings or wants to  
6 hear the material again.

7           After that, we're pretty much moving into the  
8 annual report phase of 939 and 1016. We'll be getting the  
9 annual reports from jurisdictions in a much more timely  
10 manner than we have in the past - one of the points of the  
11 legislation. And we're providing information to  
12 stakeholders right now on how that will unfold. And we  
13 have a few things to kind of navigate through before we  
14 get the annual reports out to them, but we'll have  
15 information coming in in a much more timely manner.

16           So that's SB 1016 status report.

17           Just a couple of things that are upcoming that I  
18 wanted to flag to you. On January 22nd we have an event  
19 down south in Ventura on the 100 million mile -- 100  
20 million mile -- \$100 million milestone for the RMDZ  
21 program with a very innovative company, Aerosol Silicon.  
22 I think that's going to be a great event for the Board to  
23 publicize.

24           We have an all-day workshop scheduled here on  
25 January 28th for E-waste stakeholders. This is Jeff Hunts



1 and his crew will be basically trying to talk to  
2 stakeholders about what's happened over the last year,  
3 what they see coming up in the next year. And this will  
4 be setting the stage for future items to come to the Board  
5 relative to potential rulemakings, which was on the  
6 calendar yesterday.

7 So that -- oh, January 26th. My mistake. Sorry.

8 And then in February, for the Committee, either  
9 the Strategic Policy Committee or this Committee, we will  
10 have items on SB 966, the pharmaceuticals implementation.  
11 We've been directed to come back with a revised criteria  
12 and procedures.

13 We will have an annual used oil allocation item.

14 And last, but not least, we will have the draft  
15 for your first cut at the five-year tire plan.

16 So there's a lot coming up in February.

17 Everybody's doing a great job in these trying times. And  
18 I appreciate everybody's support from the Board level and  
19 all the staff who are working so hard on this.

20 That concludes my Director's report. And I'd be  
21 happy to answer any questions.

22 CHAIRPERSON PETERSEN: Question? Comments?

23 I forgot a couple housekeeping things. One,  
24 there's speaker slips in the back of the room. If you  
25 wish to address the Board today, please bring it up to

1 Kristen.

2 The other thing is, are we up-to-date on our ex  
3 partes?

4 Yes, we are.

5 And I also would like to introduce Member John  
6 Laird over here, who is new to our board; and another  
7 fabulous legislator who did amazing things. And he will  
8 be also on this Committee with me. And we're going to do  
9 more recycling stuff. So look out.

10 Anyway, welcome.

11 All right. Now, one other thing I want to  
12 mention today, we're going to do the two items -- or the  
13 three items we have today first, which we would like to  
14 get out of the way. And then we're going to have our  
15 hearing panel with these experts that have come from a  
16 long way to tell us about -- in the second phase of the  
17 hearings we're having about market consumption. These  
18 guys convert the materials -- these recycled materials to  
19 product that are used in the retail market or the  
20 construction industry, whatever.

21 But these guys are professional -- are the real  
22 heroes, in my mind, of how we built the recycling markets  
23 in the U.S., not only since we started recycling scrap  
24 paper and scrap metals, but in the newer phase. When we  
25 started with our long hair and our buses back in the

1 seventies, they were the ones that helped us build this  
2 marketplace. So they're in charge of the panel and we  
3 look forward to hearing what they have to say.

4 Now, Howard, are we ready to go?

5 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

6 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Yes, sir.

7 CHAIRPERSON PETERSEN: Okay.

8 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

9 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Okay. We're going  
10 to start off with Agenda Item 11, which is the RMDZ loan  
11 program application for Peninsula Plastics Recycling. And  
12 while this item's about a specific loan, I'd like to make  
13 a few opening marks about the RMDZ program itself just to  
14 set some context.

15 Of course, the primary goal of this program is to  
16 establish local markets for the materials that we collect.  
17 And that's one of the topics of our panel discussion this  
18 morning as well.

19 This RMDZ program is one of the ways in which the  
20 Board couples job creation with diversion efforts. And  
21 it's designed to stimulate the use of recycled materials  
22 by manufacturers.

23 Late last year the Board completed an evaluation  
24 program and directed us to implement several enhancements.  
25 Among other things, this included the designation of a

1 new -- or conducting a new zone designation cycle, whereby  
2 we solicit new zones into the program. We'll be coming to  
3 you in March with an item for your consideration of that  
4 particular activity.

5           We've also enhanced communication and support for  
6 the zone administrators. And, of course, it's the zone  
7 administrators and our staff that provide a range of  
8 assistance to existing and new businesses that are  
9 interested in increasing their use of recyclable  
10 materials. This includes identifying potential sites in a  
11 zone, working through zoning and local permitting  
12 processes, providing access to our loan program or other  
13 financial assistance programs and the like.

14           With respect to the loan aspect, since the  
15 program started in the early 1990s the Board has funded  
16 153 loans to 120 different businesses in California.  
17 That's resulted in 8,500 jobs and an annual diversion,  
18 just by those businesses, of over six million tons of  
19 recyclables. So it's been a very successful program. And  
20 of course, as I mentioned, this month we're celebrating  
21 the \$100 million milestone next week.

22           So with that intro, I want to turn it over to Jim  
23 LaTanner, who is the supervisor for the loan program, to  
24 give you the substantive details on this particular loan.

25           CHAIRPERSON PETERSEN: Good morning, Jim.

1 RMDZ LOAN PROGRAM SUPERVISOR LaTANNER: Good  
2 morning.

3 Jim LaTanner, for the record.

4 Peninsula Plastics Recycling, Inc., is purchasing  
5 a new real estate parcel in Modesto and will build a  
6 facility there. It is located within the Stanislaus  
7 County RMDZ. The loan request of two million is for the  
8 purchase of machinery and equipment.

9 Peninsula will recycle plastic beverage  
10 containers and the caps to produce flake and pellets for  
11 sale to plastic manufacturing companies that make  
12 food-grade containers.

13 As a result of this loan, the company will hire  
14 50 employees over the next three years and has a goal of  
15 diverting 25,000 tons of plastic PET per year.

16 The RMDZ Loan Committee met on Thursday, January  
17 8th, and approved the structure of the loan, the ability  
18 to repay, and the collateral for the loan.

19 Staff recommends that the Committee approve  
20 Option 1 and adopt Resolution 2009-8 to approve an RMDZ  
21 loan to Peninsula Plastics Recycling, Inc.

22 Ralph Chandler, the consultant to the company  
23 that had put the loan package together, is available  
24 should there be any questions.

25 That concludes my presentation.

1           CHAIRPERSON PETERSEN: Thank you, Jim.

2           And questions, comments?

3           Well, we have one speaker.

4           Ralph.

5           MR. CHANDLER: Thank you, Chair Petersen.

6           And first let me welcome Member Laird, and Member  
7 Kuehl to the Board.

8           I'll keep my remarks brief. I know you've got a  
9 very important panel coming up, and one in which I myself  
10 am very interested.

11           But I would like to just indicate that, again, my  
12 name is Ralph Chandler and I'm before you today  
13 representing Peninsula Plastics Recycling, Inc., with whom  
14 I've represented for the last three years. I'd like to  
15 thank the Board for its consideration of our request for a  
16 CIWMB loan under your Market Development Loan Program.

17           This request culminates over two years of our  
18 efforts to secure supplemental financing for what we  
19 believe, in this exemplary project, that incorporates many  
20 of the state's environmental policy objectives, from  
21 reduced carbon emissions and the creation of green jobs to  
22 greater product stewardship.

23           The staff's overview provided some of the  
24 project's specific details surrounding the history of the  
25 principles involved in our proposed venture as well as the

1 business goals and objectives that serve as the foundation  
2 for expansion into California.

3 As was mentioned, Peninsula Plastics Recycling is  
4 a partnership venture between Merlin Plastics of Canada  
5 and Peninsula Packaging in California. Both partners  
6 bring extensive commitments of resources to ensure the  
7 success of the project, including matching funds of over  
8 \$22 million.

9 Our plans are to establish a plastics  
10 manufacturing facility in central California. The  
11 facility will produce FDA-approved food-grade material  
12 suitable for bottle-to-container packaging applications.  
13 And the facility will be positioned to provide  
14 California-based supply of food and beverage-grade  
15 recycled plastic resin as demand for higher recycled  
16 content in packaging grows and product stewardship becomes  
17 more recognized and embraced.

18 Our project will serve existing California  
19 markets for recycled plastic resins with a unique high  
20 quality product and improve California's capability to  
21 divert postconsumer PET from landfill or export.

22 Thank you. And I'm available to answer any  
23 questions. And thank you for your consideration.

24 CHAIRPERSON PETERSEN: Thank you, Ralph.

25 Member Kuehl.

1           BOARD MEMBER KUEHL: I have a question about the  
2 start-up. In terms of the actual management personnel,  
3 are they from the two companies that have joined together  
4 to do this?

5           MR. CHANDLER: Yes, they will be -- the  
6 management structure includes the president and principal,  
7 Mr. Tony Moucachen of Alberta, Canada. He was running two  
8 facilities there. He will have principals in Modesto that  
9 he is currently going through the process of interviewing.  
10 The corporation will be a direct subsidiary of Merlin  
11 Plastics Canada and will have direct oversight of all the  
12 operations -- day-to-day operations; including, we have  
13 our markets with Peninsula Packaging that will take the  
14 resin and make it into food grade --

15           BOARD MEMBER KUEHL: And they're already an  
16 existing company with established personnel?

17           MR. CHANDLER: That's correct. They have 21  
18 years of experience in Canada doing this.

19           BOARD MEMBER KUEHL: So the only new management  
20 will be whomever is brought on board in California by  
21 Merlin?

22           MR. CHANDLER: That's correct, Senator.

23           BOARD MEMBER KUEHL: Thank you.

24           COMMITTEE MEMBER BROWN: I'm just going to  
25 piggyback on Member Kuehl's question.



1 Peninsula Packaging is a currently existing  
2 company that already produces food-grade packaging from  
3 other resin? Or is Peninsula --

4 MR. CHANDLER: Peninsula Packaging already  
5 produces food-grade packaging from flake that is produced  
6 in Canada. We are now bringing the similar type of  
7 operation, primarily to reduce transportation and  
8 emissions from Canada, with a sister plant, if you will,  
9 in California, much closer located, and, of course, will  
10 be a California company.

11 COMMITTEE MEMBER BROWN: Fabulous. Thank you  
12 very much.

13 MR. CHANDLER: Thank you.

14 CHAIRPERSON PETERSEN: This is exactly what we're  
15 going to be talking about later today, is where we have an  
16 industry locating here to build domestic infrastructure  
17 for consuming secondary materials and creating product  
18 right here. I'm familiar with the company. They do great  
19 stuff in Canada. And it's welcomed. And we're really  
20 glad that you're coming here and you're going to do what  
21 you're going to do. And we'll watch you, Ralph.

22 (Laughter.)

23 MR. CHANDLER: I know you will.

24 (Laughter.)

25 MR. CHANDLER: Thank you.

1 CHAIRPERSON PETERSEN: Okay. With that, any  
2 other comments or questions?

3 COMMITTEE MEMBER BROWN: I move the resolution.

4 BOARD MEMBER LAIRD: Second.

5 CHAIRPERSON PETERSEN: I second.

6 EXECUTIVE ASSISTANT GARNER: Brown?

7 COMMITTEE MEMBER BROWN: Aye.

8 EXECUTIVE ASSISTANT GARNER: Petersen?

9 CHAIRPERSON PETERSEN: Aye.

10 Okay. How about Board Item 12.

11 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

12 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Mr. Chair, can we  
13 put that on fiscal consent, please?

14 COMMITTEE MEMBER BROWN: Say yes.

15 CHAIRPERSON PETERSEN: I'm sorry. What?

16 Was I paying attention? No.

17 COMMITTEE MEMBER BROWN: I don't know who you  
18 were paying. But --

19 (Laughter.)

20 CHAIRPERSON PETERSEN: Had a lapse. Is this  
21 fiscal consent?

22 COMMITTEE MEMBER BROWN: Yes.

23 CHAIRPERSON PETERSEN: Oh, thank you.

24 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

25 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Thank you.

1           Our next item -- I think we've got everybody up  
2 here -- is Item 12, which is our grant awards for the  
3 Rubberized Asphalt Concrete Grant Program, or otherwise  
4 known as RAC grant programs. And, again, I'd like to  
5 provide a little context for this as well.

6           Next month the Board will be discussing the draft  
7 Fifth Edition of the Five Year Tire Plan, which was a  
8 massive document that lays out proposed expenditures for  
9 future years. So it will start for '09-'10 fiscal year  
10 and onward.

11           That plan focuses on the Board's two interrelated  
12 fronts of enforcement and market development.

13           And with Ted's shop, the Waste Compliance and  
14 Mitigation Program, the focus is implementing a strong  
15 regulatory framework but one that doesn't stifle the flow  
16 and processing of tires, but protects public health and  
17 the environment, and a sustainability program supporting  
18 and expanding the business in local and state government  
19 infrastructure that manufactures and uses tire-derived  
20 products.

21           So one of the key market development components  
22 is the Board's RAC Grant Program. And we all know that  
23 rubberized -- that RAC has a lot of benefits. It saves  
24 money. It has greater skid resistance. It's quieter, and  
25 it lasts longer when you compare it with conventional

1 asphalt paving.

2           Of course, the Board has a lot of activities  
3 related to RAC. We promote it through various  
4 conferences. We have contracts with technical centers who  
5 assist local jurisdictions on specific projects. We're  
6 also working with the state university and college  
7 system -- or college system to develop a curriculum for  
8 civil engineers so that they know about the benefits.

9           And then we've had a lot of work over the years  
10 with CalTrans. And that's contributed to greatly increase  
11 RAC use on state highway construction by CalTrans.

12           Then we also have our specific grant programs,  
13 the RAC grant programs to local jurisdictions, which are  
14 responsible for two-thirds of annual paving projects in  
15 the state.

16           We're fortunate to have Senator Kuehl here In  
17 2002, your legislation set this up. And we're still going  
18 strong. And I think you'll be pleased with the kinds of  
19 results that you see.

20           In August of 2008, the Board directed staff to  
21 establish a variation on our previous RAC grant programs,  
22 in particular to provide additional incentives to local  
23 governments that hadn't used RAC before.

24           (Thereupon an overhead presentation was  
25 Presented as follows.)

1           LOCAL JURISDICTION, STATE AGENCY & BUSINESS

2   ASSISTANCE PROGRAM DIRECTOR LEVENSON:   So as a result,  
3   what we've done -- we now have three competitive Rac grant  
4   programs under the general umbrella for cities, counties,  
5   and qualifying Indian tribes.

6           We have, what we call, the Targeted Grant  
7   Program.   That's aimed at assisting first time or very  
8   limited users of RAC.   And it involves grants that  
9   subsidize all or part of the differential between  
10   conventional asphalt and RAC.   The subsidy percent  
11   decreases as jurisdictions get more experience and  
12   eventually the subsidy's eliminated.

13          Then we have our, what we call, the Use Grant  
14   Program.   And that's oriented towards jurisdictions who've  
15   done RAC projects three or four times, but they still have  
16   a need for additional funding.   And we're trying to  
17   promote the continued use of RAC.   A much, much lower  
18   subsidy level.

19          And then we have a relatively new RAC program.  
20   It's called Chip and Seal Grant Program.   And that's more  
21   for your chip seal surfacing, repairs and some of the  
22   things that don't require the substantial paving that  
23   larger projects do.

24          So that's a new one as well.

25          Lastly, before we turn it over to Pam.   In August

1 you approved a streamlined grant application, joint  
2 application for all three programs, and directed us to do  
3 this on kind of a six-month cycle. So we'll be coming to  
4 you twice a year with one consolidated set of awards for  
5 the three different components. And I think that's  
6 reduced a lot of confusion on the part of local  
7 jurisdictions. It certainly made filling out the  
8 applications easier for them and it's made it easier for  
9 us to process and administer the program.

10 So with that overview, I'd like to turn it over  
11 to Pam Kelly, who will make the presentation.

12 Be kind. This is Pam's first presentation before  
13 the Board. And so I'll be right behind her to back her  
14 up, maybe a hundred feet behind.

15 (Laughter.)

16 LOCAL JURISDICTION, STATE AGENCY & BUSINESS  
17 ASSISTANCE PROGRAM DIRECTOR LEVENSON: No, I'll be right  
18 here.

19 So, Pam --

20 CHAIRPERSON PETERSEN: Welcome, Pam

21 MS. KELLEY: Thank you.

22 CHAIRPERSON PETERSEN: We're really good. We're  
23 not bad.

24 (Laughter.)

25 MS. KELLEY: Oh, good.

1 Thank you, Howard.

2 Good morning, Committee Chair and Board members.

3 I am here today to ask for your consideration and  
4 approval of the grant awards for the Rubberized Asphalt  
5 Concrete Grant Programs. It's what we refer to as the RAC  
6 Grant Programs. This is the first grant award cycle for  
7 two that will be offered this fiscal year.

8 First, I would like to start by asking you to  
9 note a correction that was discovered after the  
10 publication was revised. The B List on Attachment 1 and  
11 the resolution should read -- as far as the total, should  
12 be \$2,726,858. We will be correcting this prior to the  
13 Board meeting.

14 As Howard stated, there are three individual RAC  
15 Grant Programs. In August 2008, the Board approved our  
16 criteria item, which included the following major changes:

17 First, a joint solicitation, a streamlined  
18 application and award process for all three of the RAC  
19 Grant Programs.

20 Second was the two-year criteria, which allows  
21 for a two-year grant term that encourages our applicants  
22 to plan and apply for two years of paving projects. This  
23 will enable our applicants to better plan and manage their  
24 pavement projects.

25 Also, the grant awards are now offered twice per

1 fiscal year for all of the RAC Grant Programs instead of  
2 the numerous offerings that were previously done. This  
3 has resulted in a more efficient grant administration and  
4 less confusion to our grant applicants.

5 Third, the targeted grant program provides for a  
6 ladder approach. If you would like, you could refer to  
7 the attachment on page 3 of the agenda item, which  
8 reflects this ladder approach. It is in place to  
9 gradually reduce the financial assistance to the  
10 jurisdictions as they become more experienced with RAC  
11 use, and also that they become eligible to move into the  
12 RAC Use Grant Program.

13 --oOo--

14 MS. KELLEY: The eligible applicants are cities,  
15 counties, and qualified Indian tribes. The applicants can  
16 apply for one targeted or use and one chip seal grant, for  
17 a total maximum award of 500,000.

18 During this grant cycle, our staff broadened  
19 their outreach and targeted some solicitation of  
20 applications from previously underrepresented groups. As  
21 a result, staff received 43 applications, including our  
22 first application from a qualified Indian tribe.

23 Out of the 43 applications that were received,  
24 all of them were deemed complete and eligible for funding.  
25 We received 25 for the Targeted Incentive Grant Program.



1 However, this program was oversubscribed. So at this  
2 time, we can fund eight of the applicants. Seven of them  
3 can be fully funded and the eighth applicant will be  
4 partially funded.

5 In addition, we received five Use Grant  
6 applications, all of which can be funded at this time.  
7 And also the 13 chip seal applications can all be funded  
8 at this time.

9 --o0o--

10 MS. KELLEY: Because requests for the Targeted  
11 Incentive Grant Program exceeded available monies, staff  
12 ranked the applications in the Board-approved process --  
13 in accordance with the Board-approved process. Out of the  
14 eight -- oh, I'm sorry. I already said that. Sorry. A  
15 little nervous.

16 Okay. If you refer to Attachment 1, it shows all  
17 of the eligible applicants for the Targeted RAC grant  
18 programs. There's a List A and a List B. The List A  
19 contains the applications for which there is sufficient  
20 funding. List B contains those applicants that cannot be  
21 funded at this time due to the program oversubscription.

22 --o0o--

23 MS. KELLEY: Staff anticipates there will be  
24 insufficient funding to fund all the applications that  
25 will be received in the second RAC grant cycle, which ends

1 January 30th. Staff will use and implement the ranking  
2 process that was approved by the Board in August in the  
3 criteria item, and any requests for which there are not  
4 sufficient funds will be placed on a List B.

5 Additional funding will be requested through the  
6 Board's reallocation of the Fiscal Year 2008-2009 Tire  
7 Recycling Management Program funds. Funding consideration  
8 will given to those applicants that are on list B from the  
9 first RAC Grant Cycle before those applicants that are on  
10 list B from the second RAC Grant Cycle.

11 --o0o--

12 MS. KELLEY: Staff recommends that the Board  
13 approve the proposed grant awards and adopt Resolution  
14 number 2009-9.

15 Thank you. This concludes my presentation. And  
16 program staff is available to answer your questions.

17 CHAIRPERSON PETERSEN: Thank you, Pam.

18 Questions?

19 COMMITTEE MEMBER BROWN: Since this is the first  
20 time we've done it this way, just probably some real  
21 elementary questions. Did we divide the pot of money for  
22 each, so the fact that it's oversubscribed means that half  
23 is being held for the second cycle?

24 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

25 ASSISTANCE PROGRAM DIRECTOR LEVENSON: We did divide the

1 pot of money and there was -- at this point, there's 1.6  
2 and change available for the Targeted RAC that funds the  
3 eight. There's no additional monies left for this fiscal  
4 year even for the second cycle for --

5 COMMITTEE MEMBER BROWN: -- for the Targeted?

6 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

7 ASSISTANCE PROGRAM DIRECTOR LEVENSON: -- for the  
8 Targeted.

9 For the Use Program, there was about \$2.5 million  
10 allocated. The applications in this cycle constitute  
11 about almost a million -- 990,000. So there's about a  
12 million and a half left for the second part of the cycle.

13 And then for the Chip Seal, we also had two and a  
14 half million. The ones being considered today constitute  
15 \$2 million. So there's about 500,000 left.

16 So we will be able to fund a few Use and a few  
17 Chip Seal in the next cycle. And we're anticipating  
18 bringing that to you in April. So we'll have a final  
19 count of all the applications and then we'll have a B  
20 List, if you will, of any oversubscriptions. Certainly,  
21 we will have Targeted oversubscription.

22 COMMITTEE MEMBER BROWN: Is there an opportunity  
23 for the people on this B List to reapply in the next  
24 round?

25 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

1 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Well, we will  
2 continue them over onto the B List for this year and they  
3 certainly can apply next year.

4 COMMITTEE MEMBER BROWN: But they wouldn't  
5 qualify for an A List in the next round? Because...

6 LOCAL JURISDICTION, STATE AGENCY & BUSINESS  
7 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Calvin.

8 GRANT PROGRAMS SUPERVISOR YOUNG: Calvin Young  
9 with the Financial Assistance Division.

10 We actually have -- with the three grant  
11 programs, the way it was set up in the five-year plan was  
12 from three separate line items. So that's why the funding  
13 is different for each of the three. As we're exhausted in  
14 the Targeted line item, everything virtually that comes in  
15 the next cycle will be on a B List. And as Howard  
16 mentioned, certain amounts for the Targeted -- pardon  
17 me -- for the Use and the Chip Seal will go on a B List.

18 There would be no benefit to a jurisdiction to  
19 come and apply again under the Targeted, because actually  
20 if they're on the B List for the first cycle, that will  
21 get --

22 COMMITTEE MEMBER BROWN: There's no money.

23 GRANT PROGRAMS SUPERVISOR YOUNG: -- funded in  
24 the reallocation prior to any B List from the second  
25 cycle.

1           COMMITTEE MEMBER BROWN: Well, the reason I'm  
2 asking is because it's -- if they really want to go  
3 forward with these projects, they could apply for a Use  
4 grant even though the grant funding is not as high as a  
5 Targeted funding allocation. But if they want to go  
6 forward with the project, sir - it's on a needs basis for  
7 them - they could apply, not for a Targeted, because  
8 there's no more money, but then they're taking their  
9 chances.

10           It's almost like a bird in the hand is worth two  
11 in the bush. We don't know if we're going to have money  
12 for reallocation. So they take their chances. But they  
13 may have reallocation funds available and that they may be  
14 able to go forward or to reapply for a Use grant for a  
15 lower grant level, but to be able to move forward with  
16 some of these public works projects.

17           Because, as we know, the economics now, you know,  
18 the cities and counties want to go forward. These are  
19 public works projects. They're the only things that are  
20 keeping the economy going right now. So, you know, we  
21 want to do what we can to make sure -- maybe before we  
22 look at the consideration of the next, we just kind of  
23 look at what -- just try and look in the crystal ball to  
24 see what reallocation even looks like. I'd hate to have  
25 somebody wait for reallocation and then get nothing when

1 they may have been able to be bumped up on a list in a Use  
2 grant. And always give them the opportunity.

3 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

4 ASSISTANCE PROGRAM DIRECTOR LEVENSON: And it's very hard  
5 to predict what the reallocation numbers will be at this  
6 point. You know, we know that there -- we have been  
7 encumbering -- I don't have the chart with me today, but  
8 we've been encumbering most of the funds that the Board  
9 has allocated. We certainly, you know, have the grant  
10 programs to come in April, so we'll have a little bit more  
11 finality on that. There may be -- I'm just going to throw  
12 out a number, I don't think this is really  
13 substantiated -- but, you know, a million dollars, give or  
14 take, that will be available for reallocation. There will  
15 be other probably competing priorities as well. So that  
16 would be coming to you in April at the same time as the  
17 grants for your consideration.

18 As you said, you have a bird in the hand right  
19 now. I think because of the criteria where you can get  
20 either a Targeted grant or a Use one, a jurisdiction would  
21 have to withdraw its targeted grant that's on the B List  
22 and then provide a new one by the end of this month for  
23 the next cycle.

24 COMMITTEE MEMBER BROWN: It might be pretty hard.

25 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

1 ASSISTANCE PROGRAM DIRECTOR LEVENSON: We have some  
2 flexibility to do that for those that might be interested.

3 COMMITTEE MEMBER BROWN: I just -- you know, when  
4 we don't have any Targeted grant funds available at this  
5 point in time, it's unique for this program. I mean, we  
6 usually go much farther into the year before we run out of  
7 Targeted grant funds that are available.

8 So it's a double-edged sword. It's a great news  
9 story, because we're actually getting the money out that  
10 we intend to get out the door in a timely fashion. But,  
11 you know, as with most of our tire programs, we are  
12 oversubscribed now. And so, you know, in the next tire  
13 plan, we need to look at greater allocation for some of  
14 these projects.

15 Mark.

16 EXECUTIVE DIRECTOR LEARY: Madam Chair, if I  
17 might, just a note of optimism. This is the whole reason  
18 we requested a BCP last year, and it's now reflected in  
19 the Governor's budget. It was released last Friday. We  
20 have an additional expenditure authority in the tire fund  
21 of in excess of \$4 million. And our target in asking the  
22 Governor for that additional expenditure authority was  
23 exactly these kind of grant programs. We need to get more  
24 money out the door in support of public works  
25 infrastructure and to facilitate the use of tires.

1 COMMITTEE MEMBER BROWN: Right.

2 CHAIRPERSON PETERSEN: That's great.

3 Sheila.

4 BOARD MEMBER KUEHL: Since I wasn't on the Board,  
5 I'm not familiar with the criteria, and I wonder if I --  
6 it doesn't have to be explored here. But I'd like to  
7 understand better what criteria is applied to decide, you  
8 know, who gets what grants. But, again, that's not a  
9 question that has to be explained. Simply something that  
10 I'd like to receive.

11 LOCAL JURISDICTION, STATE AGENCY & BUSINESS  
12 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Okay. We can  
13 follow it up and provide you with that information.

14 BOARD MEMBER KUEHL: Thank you.

15 CHAIRPERSON PETERSEN: Great, Howard.

16 We have -- well, is there any other questions or  
17 comments?

18 We have one speaker - Michael Blumenthal.

19 Morning, Michael.

20 MR. BLUMENTHAL: Good morning, Mr. Chair. And  
21 thank you very much.

22 Board members, my name is Michael Blumenthal.  
23 I'm a vice president at the Rubber Manufacturers  
24 Association. We're the trade group that represents the  
25 U.S. tire manufacturers.



1           And I agree with Howard. I think RAC is the  
2 better mousetrap out there. It certainly has many  
3 benefits. It's been proven year in, year out across the  
4 Board.

5           I really only have one question, and hopefully  
6 staff can answer this. Of those jurisdictions that are  
7 not getting the grants, will they move forward with a RAC  
8 project anyway? In other words, if they don't get the  
9 grant, would they use RAC? I think that's an important  
10 question to answer.

11           CHAIRPERSON PETERSEN: So how do we field that  
12 one, guys?

13           COMMITTEE MEMBER BROWN: Can I piggyback on that  
14 and ask you -- I think the bigger question is, will they  
15 move forward with any project? Because I think the  
16 concern in answering just that question, Michael, is with  
17 the economics the way it is and cities and counties  
18 strapped for every dollar these days anyway, if they don't  
19 get the funds, will they move forward with the project and  
20 will they move forward -- you know, and if the answer --

21           MR. BLUMENTHAL: If they do, will they use RAC?

22           COMMITTEE MEMBER BROWN: Yeah. So I just would  
23 like to hear a two-pronged answer.

24           LOCAL JURISDICTION, STATE AGENCY & BUSINESS  
25 ASSISTANCE PROGRAM DIRECTOR LEVENSON: I wish I could

1 provide you with a two-pronged answer.

2 (Laughter.)

3 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

4 ASSISTANCE PROGRAM DIRECTOR LEVENSON: We would have to  
5 survey jurisdictions to find out who has projects in the  
6 pipeline, which ones have applied for grants, which ones  
7 have not, and then what their plans are. I'm afraid --

8 COMMITTEE MEMBER BROWN: But it's an excellent  
9 question.

10 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

11 ASSISTANCE PROGRAM DIRECTOR LEVENSON: It is. And I think  
12 Michael -- probably he's driving to a question that he  
13 raises many times when he speaks before the Board, which  
14 is the level of subsidies for various tire-derived  
15 applications. And it's a tough one to get a handle on.

16 CHAIRPERSON PETERSEN: Right.

17 MR. BLUMENTHAL: Howard is absolutely correct.  
18 Smart boy. I've said it before. And it's --

19 CHAIRPERSON PETERSEN: It's Michael's mantra. We  
20 know.

21 MR. BLUMENTHAL: It's Michael's mantra, yes, it  
22 is.

23 The fear that we -- there are two basic  
24 overriding issues. Number 1, even though a lot of RAC is  
25 used here in California, the problem that we face in other

1 states is they say RAC can only be used if it is -- if it  
2 receives a grant, like in California. Now, we know that's  
3 not true. But it's a hard -- because so much money is  
4 going out for RAC grants here, it has that appearance.  
5 And then perception becomes reality, and then we have to  
6 fight this across the Board. It's a fight we've been  
7 having for 20 years.

8           Part B of this is if one day all the RAC grants  
9 go away - and there's always a possibility that could  
10 happen - would you lose all the markets that you have  
11 created over the last X number of years because would the  
12 markets be based only on the fact that they received these  
13 RAC grants? And that's a very important question to find  
14 out -- the answer to find out.

15           We've always felt that the education, things that  
16 you're doing with Chico and the other technical issues  
17 that -- the other technical weapons that you have, I  
18 think, are much more effective because they teach people  
19 how to use the stuff, they answer the technical questions,  
20 and they can show them how it can be used, where it can be  
21 used, why it's better, where it saves some money. If  
22 you're just putting grants out there and it's being used  
23 only because of the grants, that's a whole other issue  
24 that we're rather concerned about.

25           CHAIRPERSON PETERSEN: We kind of have the same

1 kind of situation back when we did SB 650, the first  
2 recycling legislation in the country. And we were getting  
3 grants for the different recycling programs around. And  
4 they kept saying, "Well, if the grants go away, are you  
5 going to expand your recycling programs?" Well, we did.  
6 The grants went away and we expanded the recycling  
7 programs and built the infrastructure here in California.

8           My take on this is this is an excellent  
9 application for this material, that it is technically  
10 better than what's being done just traditionally. It  
11 makes the roads last longer. There's a lot of other  
12 benefits.

13           So I think -- and not counting what's going on  
14 right now, because for me jurisdictions like where I live  
15 they're scrounging around trying to figure out how they're  
16 going to, you know, just meet payroll, let alone pave  
17 streets. So what I'm seeing is it's a technical advantage  
18 to make you -- to save money in the long term when you  
19 apply this material.

20           So I see this, and when grants go away, recycling  
21 does continue, because we're tenacious.

22           MR. BLUMENTHAL: I understand. And, quite  
23 honestly, we have a position that we think most of the  
24 jurisdictions that are using RAC would use it whether they  
25 got the grants or not just because of all these

1 advantages.

2           The question I think then has to be answered -  
3 and, you know, obviously staff will look into it - is, is  
4 that so and will they -- and will these jurisdictions do a  
5 RAC program even if they don't get the grant? I think  
6 that needs to be answered. And I look forward to the  
7 response from staff.

8           CHAIRPERSON PETERSEN: Well, Howard's -- they're  
9 in charge.

10          MR. BLUMENTHAL: Howard will look into it.

11          CHAIRPERSON PETERSEN: They're in charge.

12          MR. BLUMENTHAL: They're in charge.

13          CHAIRPERSON PETERSEN: Do you have a question,  
14 Sheila?

15          BOARD MEMBER KUEHL: How is it doing in terms of  
16 competing with other ways of paving? Has there been any  
17 change in terms of the cost to local jurisdictions to use  
18 RAC as opposed to sort of the old standard methods?

19          MR. BLUMENTHAL: Things have changed a great deal  
20 over the last eight years. Eight years ago the Federal  
21 Highway Administration came out with something called SHP,  
22 which is the Strategic Highway Partnership, which  
23 basically says, "These are the specifications you have to  
24 meet if you want to get federal funds. Now, we don't care  
25 how you achieve these ends. That's for you, the local

1 jurisdiction, the State, DOT, to work out. Whatever you  
2 do, we don't care. But it has to meet those specs."

3           So in the marketplace today, as far as asphalt is  
4 concerned, all asphalts are modified. There is no such  
5 thing as conventional asphalt anymore. Because of the SHP  
6 issues, everybody is modifying their asphalts. Now, do  
7 they use rubber in all of them? They don't always use  
8 tire rubber. Some of them use virgin polymers. Some use  
9 other types of polymers. It's a very wide field out  
10 there. So we're not competing against conventional  
11 asphalt anymore. So the cost issues are minimal, because  
12 everything has to be modified.

13           The questions that come down to some of these  
14 things that we're still dealing with are back from 1991  
15 when the U.S. government -- Congress passed something  
16 called ISTEA, the Intermodal Surface Transportation  
17 Efficiency Act, that mandated the use of RAC without any  
18 funds. And the state DOTs went on the warpath.

19           Now, they didn't mind the technology. They just  
20 didn't want to have an unfunded mandate. And that left a  
21 very bad taste in a lot of DOTs' mouths, and we're still  
22 fighting that battle out there. But because asphalts are  
23 all modified, the field has changed.

24           BOARD MEMBER KUEHL: So then the question of  
25 whether the jurisdictions will decide to pursue this

1 without grants is really a question of whether they'll  
2 pave their streets without grants?

3 MR. BLUMENTHAL: Pave their streets or will they  
4 use modified asphalt?

5 The nice thing about rubber -- the major issue  
6 about rubber modified asphalt is that you have to do it in  
7 a large scale project. Doing it for ten miles or doing it  
8 in a real rural area drives up the cost. This is why it's  
9 very common in the Los Angeles area in southern  
10 California, because you have a base down there, you have  
11 the economies of scale. In Arizona, you have the  
12 economies of scale. It's done throughout the state. It's  
13 standardized. California's a lot bigger. You have a lot  
14 different factors out here. The industry isn't as wide  
15 spread as it is in Arizona. All these factors come into  
16 play.

17 BOARD MEMBER KUEHL: But in L.A. County where  
18 we've got over 80 cities, you don't necessarily have an  
19 economy of scale for each city.

20 MR. BLUMENTHAL: It's not for the cities. It's  
21 for the number of jobs that are in a -- in one geographic  
22 area. They can be supplied by one or two major paving  
23 outfits. It's more on the production side than on the  
24 order side. If you can get -- 12 small jobs is as good as  
25 one big job. That's your economy of scale.

1 BOARD MEMBER KUEHL: Thank you, Mr. Chair.

2 MR. BLUMENTHAL: Thank you very much.

3 CHAIRPERSON PETERSEN: Thank you, Mike.

4 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

5 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Mr. Chair?

6 CHAIRPERSON PETERSEN: Yes.

7 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

8 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Calvin can --

9 again, I want to come back to the criteria that the Board  
10 set up, because we have tried to address this a little bit  
11 with the tiered approach. Also, in respect to surveying  
12 cities, we can try to do that. I'm not sure what kind of  
13 answer we'll get. How we would really ascertain whether  
14 they truly would use -- do these paving projects without  
15 the grants, we can ask. But who wouldn't say they need  
16 this money, especially in these economic times?

17 But, Calvin, if you wanted to just reflect very  
18 quickly on the laddered approach that we have, because it  
19 does at least partially try to go to addressing this  
20 question.

21 GRANT PROGRAMS SUPERVISOR YOUNG: Sure. Thank  
22 you.

23 In response to comments from Board members as  
24 well as stakeholders, we tried to look at a little  
25 different way of dealing with the Targeted Program. And



1 also in large degree in response to the experience that  
2 we'd had with our Targeted RAC Grant Program, where we  
3 would pay 100 percent of the differential for one shot and  
4 then, boom, it's gone and then you just -- you're down to  
5 \$5 a ton for the Used Program. We were seeing a lot of  
6 drop-off because there would be one experience for a  
7 jurisdiction and then there wasn't enough of a good  
8 experience to keep it going.

9           So that's when we came in with the laddered  
10 approach, which basically works for a 100 percent, 70  
11 percent, 40 percent differential for the first three, four  
12 projects. And then basically we hope that by that time  
13 they will have gathered enough experience that  
14 they'll -- they can then make the case to their city  
15 council and other decision makers that, "Yes, look, this  
16 stuff really does work. We've got some experience with it  
17 now. It makes sense. Let's continue on." But we  
18 structured it purposely to increase the repeat usage of  
19 RAC and to be sensitive to the concept of reducing the  
20 subsidy over time.

21           CHAIRPERSON PETERSEN: Thank you, Calvin.

22           Any other questions or comments?

23           Do I hear a motion?

24           COMMITTEE MEMBER BROWN: I move Resolution 2009-9  
25 revised.

1 CHAIRPERSON PETERSEN: I'll second it.

2 Kristen, would you call the roll, please.

3 EXECUTIVE ASSISTANT GARNER: Brown?

4 COMMITTEE MEMBER BROWN: Aye.

5 EXECUTIVE ASSISTANT GARNER: Petersen?

6 CHAIRPERSON PETERSEN: Aye.

7 And that goes on fiscal consent as well.

8 Okay. Thank you, all, very much for that.

9 Now we're going to move to our hearing and our  
10 panel. While the panel members come to the front, I'd  
11 like to go over some of the preliminaries.

12 We anticipate that the discussion will take about  
13 two hours. Each of our panelists will address the  
14 Committee. Following their individual presentation,  
15 Committee and Board members may ask some clarifying  
16 questions. After our panel's presentations, I'll take  
17 comments and testimony from the audience in the order  
18 which I receive the speaker slips. We'll finish with  
19 questions and discussions at the dais.

20 And, Howard, you're going to start this off.

21 And I'd like to introduce the panel while they're  
22 coming up.

23 You want to go ahead, Howard. Just go ahead.

24 LOCAL JURISDICTION, STATE AGENCY & BUSINESS

25 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Okay. Well, I want

1 to welcome our panelists. And thank you, Mr. Chair, for  
2 your foresight in putting these panels together and for  
3 constructing them and getting these folks here.

4 I'd just briefly like to set the stage. You  
5 know, we all know that the secondary materials markets  
6 around the world have been shaken by very dramatic drops  
7 in commodity prices. All the disruptions that we're  
8 seeing with the global financial system and overall, or at  
9 least in many cases, reduced demand for available  
10 material. And this has had a lot of ramifications for  
11 materials collectors, processors, brokers, local  
12 jurisdictions and the State and others.

13 We've done a fair amount already on this issue.  
14 And I wanted to just repeat to the stakeholders and the  
15 audience and the Board members what we've done.

16 First, my colleague to my left, Ted Rauh, and  
17 Mark issued a guidance document in late November to local  
18 enforcement agencies about storage issues and the  
19 potential avenues for providing at least temporary relief  
20 on some of those issues.

21 Last month, of course, we heard the first panel,  
22 you know, from brokers and recyclers about the extent of  
23 the problems and the potential for board actions. And  
24 based on that panel discussion and input from the  
25 stakeholders at the December Committee meeting, we

1 developed a matrix, which we then brought to the Board  
2 that following week. And that matrix, which is available  
3 on our electronic site, it summarized the various  
4 recommendations that the stakeholders had. And it was a  
5 long list.

6           And I don't want go through the whole matrix, but  
7 I thought it'd be helpful just to briefly summarize them  
8 and indicate what they were. And the matrix itself has  
9 information on what the Board is already doing in those  
10 areas, if anything, and then where additional statutory or  
11 regulatory initiatives might be needed.

12           There was one group of recommendations related to  
13 regulations in permitting, such as changing our  
14 regulations regarding the so-called three-part test. And  
15 that's the test that we use to determine whether an  
16 operation or a facility needs a solid waste facilities  
17 permit or it does not need one at all.

18           There were suggestions about changing the  
19 definition of "solid waste," and that relates to who can  
20 collect it. And there were recommendations about  
21 multi-agency permit streamlining.

22           Then there was a set of recommendations related  
23 to market development. And there were a lot of different  
24 recommendations in that. They ranged from advanced  
25 disposal fees and extended producer responsibility;

1 incentives for collecting recyclables and getting  
2 greenhouse gas emissions offsets or the like; permitting  
3 assistance from our zones; assisting the existing mills in  
4 California in any way to stay in existence; monitoring  
5 exports; and perhaps providing financial incentives such  
6 as tax credits or looking at some of the port fee issues,  
7 which I know, Mr. Chair, you've been very directly  
8 involved in addressing.

9           And then there was a series of, for want of a  
10 better term, local government issues. And these were  
11 recommendations about changing some of the franchise  
12 agreements or looking at diversion requirements,  
13 flexibility on diversion requirements, and then the  
14 guidance to LEAs and jurisdictions.

15           So there was -- there were a lot of suggestions.  
16 And many of those things we've acted on. Others would  
17 require federal or state legislation. And some would  
18 simply not be doable due to constitutional and court  
19 decisions in the past.

20           So I think really to set -- what we're trying to  
21 do today - and I know you'll expound on this - is what's  
22 it going to take to build and maintain our domestic  
23 infrastructure for recyclables and to build the demand for  
24 the products that that infrastructure produces. So what  
25 do consumers need to do, what does the State need to do.

1 And we've provided through your office a series of  
2 questions to these panelists that range from what are the  
3 main barriers to doing this to what would happen if you  
4 did have to close down, what actions do you think the  
5 State should take in terms of permitting or financial  
6 assistance? And I think you've set the stage for a great  
7 discussion.

8           So I think I should stop. We have the experts  
9 here. And I'll turn it back over to you.

10           CHAIRPERSON PETERSEN: Thank you, Howard.

11           By the way, I'd like to welcome Member Migden.

12           Welcome.

13           And she will also be serving on our  
14 Sustainability and Market Development Committee, and I  
15 look forward to that.

16           BOARD MEMBER MIGDEN: Thank you very much, Mr.  
17 Chair.

18           CHAIRPERSON PETERSEN: Okay. Well, this is the  
19 second panel. We heard from the collectors. And now  
20 we're going to hear from our other friends.

21           Some of you -- and I'm going to introduce them in  
22 a minute. But this is the next part of what we need to do  
23 to see where we can maintain, like Howard said, and maybe  
24 expand our infrastructure for use domestically of  
25 materials, just like we did with the loan we just gave to

1 Ralph and the company he represents.

2           So I'd like to first start off introducing the  
3 panel members. Pete Grogan, Market Development Manager,  
4 International Paper in Auburn, Washington.

5           Now, Pete and I go back to the early seventies.  
6 He pioneered the recycling programs in Boulder and was  
7 instrumental -- and came to our California Resource  
8 Recovery Association meetings and was instrumental when we  
9 started the National Recycling Foundation back in 1979.

10           So he and I have cahoots. We both had long hair  
11 those days, and we were great.

12           Sure we were, weren't we?

13           Okay.

14           BOARD MEMBER LAIRD: And you had a bus.

15           (Laughter.)

16           CHAIRPERSON PETERSEN: And a bus. Everybody had  
17 a bus.

18           (Laughter.)

19           CHAIRPERSON PETERSEN: Crawford Carpenter, VP,  
20 National Accounts, Recycled Fibers Division, Newark Group,  
21 San Ramon, California.

22           And they're a really interesting mill, because  
23 they produce a lot of the packaging you see in cereal  
24 boxes and toothpaste containers and things like that. And  
25 they're going to talk -- they've got some real interesting

1 things to say - Crawford does.

2 Steve Alexander, Executive Director, Association  
3 of Postconsumer Plastics Recyclers in Washington DC. He's  
4 going to cover both the rigid container side and also the  
5 film side on the plastics industry.

6 And David Hiestand, Plant Manager, United States  
7 Pipe and Foundry Company in Union City. Scrap metal,  
8 infrastructure with regards to sustainable building  
9 products, and a lot of different things he's going to have  
10 to say about this.

11 Now, I just want to thank you gentlemen for  
12 coming. This is exciting. And I really want all of us to  
13 hear what you have to say, because I think we're going  
14 through an educational curve here with the economy the way  
15 it is. I think it's a golden opportunity for us to start  
16 taking a look at our infrastructure and maybe  
17 kick-starting some things that we need to do.

18 The other speaker that was going to be here today  
19 is Pete Hinton, Plant Manager, Owens-Illinois. I guess  
20 what I could say, the rosy part of all what's going on in  
21 the glass -- he's home sick, by the way. He's not going  
22 to be here. But the glass industry is a bright spot. And  
23 why? Because we don't export glass. We use it here to  
24 make bottles and decorative products. And their industry  
25 is doing just fine. It could do better, but it is not



1 suffering like the rest of us. So that's the bright spot.

2 So what I'd like to do, since we've got  
3 Crawford's slides up, Crawford, could you start us off,  
4 please.

5 Thank you.

6 MR. CARPENTER: My pleasure.

7 (Thereupon an overhead presentation was  
8 Presented as follows.)

9 MR. CARPENTER: First of all, good morning, and  
10 thanks to the Board for your invitation to this particular  
11 forum.

12 As you're all aware, these are turbulent times.  
13 But your effort to understand the difficulties that we are  
14 facing is to be commended, and we wanted to make that  
15 point. We surely and sincerely appreciate being asked to  
16 attend.

17 Let me share with you briefly what The Newark  
18 Group is about. The Newark Group is a private company.  
19 We are a collector. We're a recycling plant operator. We  
20 are a broker. And we run mills across the United States.

21 Let's now move to the next issue here -- or I  
22 shouldn't say issue -- but the particular segment of our  
23 industry.

24 --o0o--

25 MR. CARPENTER: I notice that the slides are out

1 of order, but that's all right. We'll work around this.

2           These are some of the products that The Newark  
3 Group makes. And I'd want to start with who the  
4 participants in our particular industry happen to be.

5           The participants and the major participants are a  
6 company called Caraustar, Graphic Packaging, RockTenn,  
7 Sonoco, and ourselves. We are basically, what you would  
8 call, the Big 5 in this particular segment of the  
9 industry.

10           As a point of information, the recovery of  
11 recycled material and paper, in general, was tracking in  
12 2008 to the tune of about 53 point million tons of  
13 recovered paper. That's if everything was going according  
14 to Hoyle. In our industry segment, it is estimated that  
15 we handle somewhere in the neighborhood -- when I say  
16 industry segment, not just The Newark Group, but the  
17 companies that I mentioned and others -- about 14.5  
18 million tons of that material.

19           Of that, The Newark Group is responsible for  
20 somewhere in the neighborhood of 8 to 10 percent of the  
21 total usage.

22                               --o0o--

23           MR. CARPENTER: Again, here are the participants  
24 that I referred to earlier. And let's talk about some of  
25 the products. Think about a Hallmark card, the cartons

1 that those go in. Our board goes into that.

2 Many of you've heard of Macy's. Well, the Macy's  
3 gift cartons. So keep shopping at Macy's, please.

4 (Laughter.)

5 MR. CARPENTER: We have the Board that goes into  
6 that product.

7 Think of the carton that makes Reynolds Aluminum.  
8 We also service that particular sector.

9 --o0o--

10 MR. CARPENTER: It's interesting to note that,  
11 again, we like to touch, as they say, the everyday  
12 consumer. Take a look here and you'll see photo album  
13 covers and hardback book covers.

14 --o0o--

15 MR. CARPENTER: In addition, you will see  
16 household products, be it Saran Wrap, I just referenced  
17 Reynolds Aluminum, think of the Bounty tissue, Charmin, et  
18 cetera, et cetera. We have a division that makes the  
19 cores for those particular products.

20 --o0o--

21 MR. CARPENTER: The impact of this economic  
22 downturn has just been interesting, to say the least. And  
23 what I will do now, if you'll bear with me a second -- I  
24 guess when you loaded these, they're a little out of  
25 order. And I'll try to readjust here.

1           The economic downturn, as you're probably aware,  
2 has been global. And when we say global, we're referring  
3 to not only in the United States, but we're referring to  
4 China, India, Europe, Mexico, et cetera. It is worldwide.  
5 It's literally been in a doggone tailspin.

6           As many of you are aware, the recycled -- pardon  
7 me -- the retail sector has suffered greatly. We service  
8 this sector, and the picture has not been pretty and we  
9 don't see where the picture will be pretty moving forward.

10          Electronics and appliances have been particularly  
11 hard hit. Some analysts have indicated and some of the  
12 analysts have said that there's been a 20 percent  
13 reduction from the previous year.

14          In this environment, there are mill concerns.  
15 And let me briefly touch on some of those. For example,  
16 mill concerns, at least from our vantage point, contracts  
17 and verbal commitments, they are in jeopardy, since these  
18 mills have taken considerable downtime and some of that  
19 downtime has been extended beyond what was originally  
20 anticipated.

21          This leads them to potential inventory problems,  
22 which are bulging from a recycled fiber standpoint and  
23 also from a finished goods standpoint. So we have a  
24 problem in our industry.

25          This, in turn, then leads to outside warehousing.

1 And that's warehousing for both of the commodities, not  
2 just our finished products that are made from our mills,  
3 but for the recycled material, the paper that we try to  
4 buy from the various suppliers.

5 And what we're trying to do is to maintain our  
6 commitments, be they verbal, but, most important, those  
7 that are contractual. It is a doggone nightmare in  
8 certain instances. As is evident, it's a vicious cycle.

9 We have recently been particularly hard hit at  
10 our mill in Santa Clara, California. Earlier this year,  
11 we had to shut down a machine, and somewhere to the tune  
12 of anywhere from 4,000 to 5,000 tons a month of recovered  
13 fiber that we were running at that particular mill site.  
14 That's the bad news.

15 But the good news is that mill is still running  
16 and we've increased our usage of mixed paper, believe it  
17 or not, of all grades.

18 One might guess that the outlook is somewhat  
19 bleak as we look to 2009. And we see some key negative  
20 forces out there.

21 Those key negative forces are an unstable  
22 economy, weakening demand, and curtailed capital  
23 investment. The collapse in the recycling markets can be  
24 particularly attributed to the financial crisis. You've  
25 got to be able to have access to funds and to the credit

1 markets to run your businesses effectively.

2 And also the accompanying housing downturn. We  
3 service that housing industry. We need people to buy  
4 washers, dryers, refrigerators. And, by George, they come  
5 in doggone boxes, and that's what we make.

6 (Laughter.)

7 MR. CARPENTER: Demand has slumped for material  
8 to be converted into everything, from boxes, as I just  
9 made reference to, to car parts - we service the auto  
10 industry - to construction materials. Think of an oil  
11 filter. That's a box that we would potentially make and  
12 our board goes into that. So I think you could see how we  
13 are impacted by this dire situation.

14 Some vendors have claimed, and I believe at the  
15 previous session, that the cost -- or the pricing for OCC  
16 had declined \$80. And that was from a period of October  
17 to December. And we don't doubt that. In addition,  
18 pricing has also declined in the area of newspaper. And  
19 that was in the range of \$120. And I'm just giving you  
20 broad ranges and not specific numbers. That is just  
21 horrendous for our industry, whether you are on the  
22 collecting side or whether you're on the producing side.

23 Some might think that this particular situation  
24 is good for our domestic mills, because we have low  
25 pricing. But that might not be the case. Collectors have

1 to have the ability to pay in order to clean up that  
2 material. In other words, pricing has to cover the cost  
3 of production or we face a situation where the material  
4 may not be collected.

5 --o0o--

6 MR. CARPENTER: There are certain barriers that  
7 we see to sustainable recycling. We see three of them at  
8 this point in time: Legislation - and I guess that's a  
9 tough one - quality and residue.

10 I'd first like to briefly touch on legislation.  
11 And I know all legislation is intended to be effective to  
12 meet the public good. But an example of one bill, Senate  
13 Bill 1313, the bill was to test for potential  
14 perfluorinated compounds. And those were the compounds  
15 that could have been in the rolls of paper that we had  
16 produced. This legislation was proposed even though there  
17 was not the ability to obtain test results and it was  
18 difficult or unavailable at that time.

19 This bill would have required us to rent -- that  
20 is, when I say "us," people in our industry, not just our  
21 company -- to rent warehouse space and to store our  
22 production prior to shipment to the final customer.

23 Just to give you what I call a few "gee whiz"  
24 facts here now. The cost of the warehousing, it's  
25 somewhere in the neighborhood of \$400,000. And this is on

1 an annual basis. And then other associated costs, be it  
2 testing, double freights, logistics, et cetera, another  
3 almost \$700,000.

4 So for our small mill in Commerce, Los Angeles,  
5 in the Los Angeles area, we're looking at about 1. --  
6 almost \$1.1 million of additional costs. And luckily that  
7 bill was vetoed.

8 Let's move to the next area - quality. In our  
9 industry, we need quality raw material to make a quality  
10 product for the end customer. This can only happen if we  
11 have the collectors with the ability to cover their cost  
12 of collection.

13 Moving now to residue. We have a concern  
14 relative to the residue that is created in single-stream  
15 collection programs. This residue is not only costly in  
16 transportation to landfills, but most important, it's  
17 damaging to our operating equipment. The net result  
18 becomes our costs of production is increasing and we are  
19 not a low-cost producer. In today's environment, if you  
20 are not a low-cost producer, you will not survive.

21 --o0o--

22 MR. CARPENTER: We were asked to touch on the  
23 impact of a potential closure of some of our mill sites in  
24 California and the associated environment and what would  
25 happen relative to flow, landfilling and jobs. I'll



1 briefly comment on that.

2 First of all, I'd like to address the flow of  
3 material. And, briefly, we believe the flow would be out  
4 of state and primarily to the export sector. A harsh  
5 reality - and this was mentioned at your previous  
6 meeting - seven mills have been closed since 2002 in the  
7 State of California. And fortunately that material has  
8 been sucked up by the export market. Our mill in  
9 Stockton, California was one of those casualties. At that  
10 time, we employed somewhere in the neighborhood of 135  
11 people, and we were consuming 130,000 tons a year of  
12 recycled material.

13 Let's move now to landfilling. If the economic  
14 environment does not improve, there is a distinct  
15 possibility of landfilling. We believe though that that  
16 could be on a temporary basis, because things hopefully  
17 will and should improve.

18 We wanted to point out that we are one of the few  
19 consumers of mixed paper in California, and we believe we  
20 play an important role in landfill avoidance.

21 That mill that I referenced in Santa Clara uses  
22 somewhere in the neighborhood of 20,000 to 24,000 tons a  
23 year of mixed paper. We're unique because you just don't  
24 see mixed-paper-consuming mills, not only in California  
25 but in the United States, in general.

1           Finally, I'd like to touch on lost jobs. Our  
2 California footprint could possibly be curtailed by  
3 somewhere in the neighborhood of 200 plus jobs if we were  
4 not successful in maintaining our operations in the State  
5 of California.

6                               --o0o--

7           MR. CARPENTER: We were asked to take a look at  
8 some recommendations. And some of those recommendations  
9 were mentioned in the document that was sent to us. And  
10 we'd like to deal with, first of all, permitting.

11           We are for relaxed storage permitting, that  
12 storage of finished goods, storage of waste fiber or  
13 recovered paper.

14           But there's got to be a big huge capital "But".  
15 We want to make sure that we are careful that we don't  
16 jeopardize safety by creating a fire hazard. There must  
17 be proper fire lanes and total adherence to safety  
18 requirements in a particular jurisdiction.

19           Financial incentives. There should be greater  
20 pricing accountability. And where there is a floor in  
21 many instances, when communities get together with  
22 collectors and they get together with mills, where there  
23 is a floor, we should probably consider a ceiling. This  
24 ensures equity in the transaction.

25           In addition, the municipality, the collector, and

1 the consumer should be coming together in more instances  
2 maybe than what we have in the past, so that we can form  
3 partnerships on the movement of this material. If there  
4 is a greater partnership, you may have greater market  
5 stability and the flow of the material that is generated.

6 In some instances, the communities and the  
7 collectors have driven up the price of recovered material.  
8 This, coupled with high energy costs, have led to mill  
9 closures. In effect - and this is strange - we have  
10 inadvertently killed the goose that laid the golden egg.  
11 The suppliers and consumers again have to definitely do a  
12 better job of working together.

13 While tax credits are attractive, we believe that  
14 grants would be a better vehicle to provide access to  
15 funds for specific projects.

16 --o0o--

17 MR. CARPENTER: Now, let's take a look at  
18 in-state market development.

19 Well, we'll still take a look at in-state market  
20 development.

21 We believe that we have to have a sit-down  
22 meeting with the management of each of the individual  
23 mills - and this is an absolute necessity - so that  
24 particularly the members on the Board, the various staff  
25 members, you have to understand the constraints and the

1 market potential of each of these mills in the State of  
2 California.

3           Someone mentioned last evening, "You better hug  
4 the mills you have. Because if you don't, no telling  
5 what's down the road for us." And we just can't echo that  
6 more.

7           Let me briefly talk about single stream. Many  
8 times this is the first material that is cut off. And  
9 it's due to the quality of single stream. In many  
10 instances, it's just difficult to handle for a consuming  
11 mill, such as we are, that uses mixed paper, based on the  
12 contamination that is inherent in the material.

13           There is an interesting study in the December  
14 issue of 2008 of Resource Recycling comparing single  
15 stream to dual stream recycling. I'd like to comment on  
16 some of the factors that they mention - there are four of  
17 them:

18           Single-stream systems generated poorer quality  
19 material.

20           There was an increase in residue and landfill  
21 charges to the consuming mills.

22           Dual-stream programs, they have a cost advantage.  
23 And I was scratching my head on that one, because I  
24 thought it was just the opposite, quite frankly. But  
25 that's what the conclusion of this particular study was.

1           And, finally, the fourth point, there was no  
2 evidence to indicate that single-stream recycling itself  
3 was the main basis for increased diversion. And I thought  
4 that was somewhat interesting.

5           My recommendation would be for this staff to  
6 review the conclusions of this study and to see how the  
7 California single-stream system compares to this study.  
8 And the study though is from Ontario, Canada.

9           To conclude, this is a classic situation of  
10 supply and demand, where currently supply exceeds demand.  
11 And I guess in my old -- I guess, my third grade teacher,  
12 Mrs. Olson -- this is just third grade math to me, hey, if  
13 supply and demand don't balance, you're going to have a  
14 problem, there's going to be a difficulty.

15           Our industry is struggling. But we hope this  
16 will be temporary. And I want to emphasize temporary.  
17 Yes, this is difficult at this point in time.

18           There might be, though, a temporary light at the  
19 end of the tunnel. Just recently there has been a mild  
20 pickup in the export sector, whereas movement is starting  
21 to increase. And we envision -- we're not sure,  
22 because -- I wish I could predict -- but if everything  
23 goes correctly, there may be some better opportunities in  
24 the month of February.

25   --o0o--

1           MR. CARPENTER: We are a consumer-driven business  
2 and we would welcome the opportunity to participate and to  
3 cooperate with this Board. We appreciate being given a  
4 seat at this table. I guess someone said that you're  
5 better off having a seat at the table; because if you  
6 don't, you wind up being on the menu. So hopefully that  
7 won't happen to us.

8           (Laughter.)

9           MR. CARPENTER: So thank you very much, and it  
10 was a pleasure.

11          CHAIRPERSON PETERSEN: Thank you, Crawford. Well  
12 said. Thank you very much.

13          I'd like to move over to the plastic side of  
14 things right now.

15          And, Steve.

16          MR. ALEXANDER: Well, I wasn't ready for you.

17          I need the clicker thing.

18          Thank you very much.

19          (Thereupon an overhead presentation was

20          Presented as follows.)

21          CHAIRPERSON PETERSEN: Are you ready now?

22          MR. ALEXANDER: Yeah, absolutely now. I got the  
23 clicker.

24          We'll wait for Tracey.

25          Thank you very much.

1 Left side, Tracey, or right side?

2 ADMINISTRATIVE ASSISTANT COTTINGIM: Left.

3 MR. ALEXANDER: Left? Okay, great.

4 Thank you very much, Mr. Chairman and members of  
5 the Committee. It is a pleasure to be here again with  
6 you. My name is Steve Alexander and I serve as the  
7 Executive Director of the Association for Postconsumer  
8 Plastic Recyclers.

9 APR is the trade association of folks who recycle  
10 plastic material, primarily purchased bales, from MRFs and  
11 others. We represent 90 percent of the postconsumer  
12 plastics recycling capacity in North America.

13 We like to say, frankly, that without APR  
14 members, there is no plastics recycling, because we're  
15 where the rubber meets the road.

16 I have a slide presentation for you there today  
17 that we will walk through pretty quickly. But as those of  
18 you who have dealt with me in the past know that I have  
19 adult -- ADD at the adult level, so I tend to slide  
20 around, but I will do the best I can.

21 I want to apologize in advance. Some of you on  
22 the Board have heard what we're going to say today over  
23 the last three years. Even given the current economic  
24 climate upon which we're operating, there is not much  
25 difference in terms of what we, in the plastics

1 reclamation industry, are looking for in terms of the  
2 Board to send significant market signals. And you will  
3 hear me say that word repeatedly throughout this discourse  
4 here with us this morning.

5           APR is structured in a way that we have a Market  
6 Development Committee, we have a Technical Committee, and  
7 we have just formed a rigid beyond-bottles working group  
8 committee, for lack of a better term. That's an evolving  
9 term. But essentially APR is growing beyond recycling and  
10 reclaiming number one and two PET and high-density  
11 bottles, into trying to be the technical soul, if you  
12 will, for all plastics that are out there that are  
13 available to be reclaimed.

14           Typically, when I give these presentations, we  
15 talk about the key issues, for APR members deal with  
16 supply material available as well as the contamination of  
17 the material that is available to us. And when I talk  
18 about contamination, we have some new players on the  
19 block, things like degradation activity, things like  
20 composting activity, barriers, barrier labels, soon  
21 closures, et cetera, which continue to be new products  
22 introduced into the marketplace, but may, in fact, inhibit  
23 the container's ability to be reclaimed and recycled given  
24 the current recycling infrastructure that we possess  
25 today.



1                               --o0o--

2               MR. ALEXANDER: I've already given a little  
3 communication piece there. But I will also say that in  
4 this day and age of sustainability and sustainability  
5 initiatives, the fact of the matter is when we talk about  
6 plastics and plastic packaging, plastics are not  
7 sustainable unless they're recycled. And the recycled  
8 plastic gives you all sorts of sustainability credits,  
9 particularly in terms of reduction of greenhouse gas  
10 emissions, lightweighting, et cetera.

11                              --o0o--

12              MR. ALEXANDER: What we do. I like to say that  
13 we're the technical soul of plastics recycling. We have a  
14 very strong technical department.

15              We have developed critical guidance documents for  
16 new product innovations for PET and high density  
17 materials. We have recognition programs for folks who  
18 comply with their bottles and the components of their  
19 bottles. We've actually just developed a seal, if you  
20 will, that folks who go through our process will then be  
21 able to utilize on their products.

22              We have design for recyclability guidelines for  
23 people in the marketplace that want to design either new  
24 bottles or new packaging materials to ensure that they  
25 comply with current recycling infrastructure requirements.

1 We have the DFR guidelines.

2 We also have model bale specifications, which are  
3 critically important for our members in terms of how much  
4 contamination we can take within our bales.

5 We have a strong communications program. We deal  
6 with webinars and workshops for state and local recycling  
7 officials across the country. I'm pleased to say that  
8 members of your staff participate in our monthly webinars.  
9 Actually, they've been weekly recently. They're an  
10 hour-long series of programs. And we appreciate their  
11 participation.

12 And then, of course, we have the rigids program,  
13 which I mentioned.

14 --o0o--

15 MR. ALEXANDER: Obviously, as Crawford indicated,  
16 we've got a little bit of an economic impact going on  
17 right now. How is that affecting the plastics recycling  
18 industry and what can we do about it?

19 Clearly, you know, a vast majority of recycled  
20 PET material, soda bottles, if you will, and other  
21 materials like that, goes into carpet fiber. If you're  
22 not building new houses, you don't have a real demand for  
23 new carpeting. So that's been a big issue.

24 Another big player -- utilization of recycled  
25 material is in strapping. If you're not selling goods, if

1 you're not transporting those goods, then you don't need  
2 those bales of material to be strapped. So that's been a  
3 huge issue.

4 Car sale slump has been a big impact for us.

5 And obviously the credit freeze has hurt us, as  
6 it hurts all industries, because we're as susceptible to  
7 that as anyone else.

8 And, of course, the export markets temporarily  
9 evaporated, which I think is a critical point in terms  
10 of -- I'll come back to a little bit later --  
11 momentarily -- they evaporated momentarily. They're  
12 coming back. Material is flowing again. Pricing is  
13 coming back again fairly rapidly. And we'll talk about  
14 that in a couple minutes.

15 --o0o--

16 MR. ALEXANDER: One of the things though -- I'm  
17 going to jump ahead, if you can deal with me, and then  
18 I'll come back to these slides. Just for those of you who  
19 have not dealt with us before, in terms of what we talk  
20 about an end use of our material, what we have here is we  
21 have for end uses for PET, polyethylene terephthalate,  
22 primarily, your soda bottle resin, your water bottle  
23 resin, along with some thermoform sheets and things of  
24 that nature, carpeting, textiles, strapping we talked  
25 about, thermoform packaging, old motor packaging. But

1 here's the key phrase, anything the virgin PET can do,  
2 including non-food-grade packaging, recycled PET can do.  
3 So our goal is to try and get as much of that material as  
4 we possibly can and develop that feedstock.

5 --o0o--

6 MR. ALEXANDER: On the high density side, the  
7 uses tend to flow into things like lumber, paint buckets,  
8 lawn and garden applications, agricultural applications  
9 across the Board, non-food bottle -- your oil bottles and  
10 things of that nature. So I just wanted to set that stage  
11 as we go back. And let me just go back here fairly  
12 quickly.

13 --o0o--

14 MR. ALEXANDER: Currently, what's critical to  
15 understand is that U.S. plastic reclaimers, we have to  
16 purchase our material globally. It's interesting to note  
17 that the 2007 recycling rate report, which we publish with  
18 a couple of other groups who are here today, 54 percent of  
19 the material for PET and 23 percent of the high-density  
20 material collected in this country was exported. Which  
21 means that a lot of our reclaimers have to source material  
22 externally. And a big charge for us, and we would hope to  
23 share that charge with you, is, you know, we need to do  
24 all that we can to encourage that material to stay here in  
25 the United States, in North America, and encourage that

1 investment in infrastructure.

2           There has been a lot of concern that North  
3 American reclaimers, they are cautious in dealing with the  
4 Chinese in terms of their ability -- our ability to match  
5 their pricing.

6           But that's a little bit of a chicken and an egg  
7 situation. Because when you have a market that's  
8 dependent upon export to take some of your material away  
9 from you, and as we've recently seen, if that market dries  
10 up, then you have a glut of the material on the  
11 marketplace, which further depresses pricing.

12           But the key component for us is that the  
13 continued exportation of this material inhibits investment  
14 by reclaimers to invest in new reclamation capacity here  
15 in North America. We're very grateful for the approval of  
16 the grant to Merlin Plastics earlier today to additional  
17 reclamation capacity. That is the type of thing which we  
18 are trying to encourage across the United States. But the  
19 fact of the matter is, is that Wall Street has been  
20 unwilling to invest in new reclamation capacity in this  
21 country because they don't feel that there's a stable  
22 supply of globally priced raw material that is staying in  
23 North America. So we need to do whatever we can do to  
24 keep the material here in North America. And I'll talk a  
25 little bit about that a little bit later on.

1           Whoop, I'm going the wrong way.

2                               --o0o--

3           MR. ALEXANDER: We've talked about this. And,  
4 again, exports are a mixed blessing, because I think what  
5 we end up seeing is that in a situation when you have a  
6 market dependent upon exports, when the export market  
7 dries up and you don't have enough reclamation capacity,  
8 well, then you get a bulk of material sitting in the  
9 marketplace without the capacity to process it.

10           What's the key concern there? Well, the one word  
11 no one wants to hear about in my industry, and I'm sure  
12 you don't want to hear about, is landfill. You know, that  
13 is not a suitable alternative to material that has a value  
14 in the marketplace. So it's incumbent upon us as an  
15 industry, and we hope working with you, to again increase  
16 the capacity and then do what we can to ensure that that  
17 reclaimed material stays here in the United States to be  
18 processed. Or barring that, that material that is shipped  
19 overseas to be compiled into new products actually  
20 complies with California law to ensure that that content  
21 that they ship back is actually North American-sourced  
22 content, not content that simply that they're claiming is  
23 coming from someplace in China.

24           Tough to do, tough to verify, we understand that.  
25 But it's just something that we fail to do on a daily

1 basis.

2 --o0o--

3 MR. ALEXANDER: The fact of the matter is, is  
4 that with the export market the way it has been, it's a  
5 mixed blessing, it's unstable, and it inhibits investment  
6 in the United States reclamation capacity.

7 --o0o--

8 MR. ALEXANDER: One of the things we were asked  
9 to do is talk about, you know, what do we think the Board  
10 can do. And here's where it gets boring for some of you.

11 You have a great law on the books. The Rigid  
12 Plastic Packaging Container Law that was initially put  
13 forth in the mid-nineties essentially created the  
14 recycling market for high-density material and  
15 supplemented the recycling market for PET. There's no  
16 other way to say it. That law created the high-density  
17 recycling market in the United States.

18 Our adage to you is that, as we look to you to  
19 continue to collect -- and enforce and collect PET and  
20 high-density bottles, is we need you to enforce the law  
21 that is on the books. The enforcement of that law is the  
22 strongest market signal we can send to reclaimers in this  
23 country, to product manufacturers to make sure they use  
24 recycled content, which would drive demand, which would  
25 drive pricing, which we think would drive investment.

1           Recently, the mandated content law helped  
2 stabilize the high-density market by -- because you knew  
3 that there was a baseline of demand there for that  
4 material. While there was some price erosion in the  
5 high-density market, it was not as much as it has been in  
6 some of the other markets that we've seen, and it has  
7 stabilized in around the 15 cent per pound marketplace.

8                               --o0o--

9           MR. ALEXANDER: The way that it is currently set  
10 up is that unless the staff that deals with the RPPC law  
11 sends out an audit form to accompany that it's supposed to  
12 be complying with the RPPC law here in California, there  
13 is little, if any, incentive for that company to use  
14 recycled content material. And we have experience in  
15 this, and that frankly over the years I know of one  
16 company, just one, that has actually been defined by the  
17 Waste Management Board under the RPPC law for  
18 noncompliance with the RPPC, which is -- I'd like to say  
19 it's because we know that there's full compliance out  
20 there. But we have made recommendations back in September  
21 of 2007 before this board, it's part of the public record,  
22 in terms of what we would like to see happen with that law  
23 and with the change in the audit policy in order to  
24 encourage compliance with the law.

25           We know for a fact that in January and February



1 of 2006 that just the rumor that RPPC law with the annual  
2 audit was not going to be conducted, we know it led to  
3 over five million pounds of purchase orders for  
4 high-density and PET material being canceled. If you  
5 think about it, it's like playing the lottery. This is --  
6 the way this law is set up right now, it actually  
7 encourages folks to try and play the lottery and not  
8 comply with the law, simply because unless you receive a  
9 letter from the staff, you're not going to be audited.  
10 And they don't have -- they haven't had the capability or  
11 the resources, we understand that, and the staff resources  
12 as well as the staff changeover to really do an audit of a  
13 representative sample of what's out there in the  
14 marketplace.

15 I mean, if the IRS conducted itself this way, I  
16 think we'd see even fewer tax receipts flowing to the  
17 federal government than we do today.

18 I mean, our recommendation was simply to conduct  
19 your audits the way that the IRS does. It essentially  
20 says that every consumer product company selling packaging  
21 into California is required to file a report on line, and  
22 then the staff simply audit those on an ad hoc basis  
23 depending on whatever percentage that they thought was  
24 representative.

25 Right now, the onus is on the staff to get out an

1 audit form that goes out to the marketplace to a select  
2 number of companies that they've chosen and then that  
3 company then has to respond.

4           So the strongest market signal that we think that  
5 you can send is, in fact, to enforce the current law that  
6 you currently have on place.

7                               --o0o--

8           MR. ALEXANDER: Obviously, there are other issues  
9 with the law that we have talked about in the past to  
10 encourage the use of content. I won't get into them much  
11 today, but obviously they deal with the source reduction  
12 component of the RPPC, as well as the potential to utilize  
13 resin switching as an opportunity to comply. And I'll be  
14 happy to comment on those a little bit later if you'd like  
15 us to.

16                               --o0o--

17           MR. ALEXANDER: Again, one of the things that we  
18 really are concerned about from our industry is investment  
19 in technical innovation and playing capacity. And it's  
20 going to be difficult for us to continue to do that  
21 without clear market signals of demand. You have set the  
22 standard for the United States in terms of requiring  
23 recycled content, encouraging the utilization of recycled  
24 materials, be it paper, plastic, aluminum or glass. And  
25 we would simply ask you to continue to do that as we go

1 forward.

2 The PowerPoint has -- there are more slides  
3 there. I'm not going to go through them all. I'd be  
4 happy to answer any questions a little bit later on,  
5 because we've got a couple more presentations.

6 Thank you.

7 CHAIRPERSON PETERSEN: Thank you, Steve. Thank  
8 you very much.

9 Okay, Pete, you're up.

10 Now, we're going to talk about another segment of  
11 the paper industry and more of what International Paper  
12 does.

13 And here you go.

14 (Thereupon an overhead presentation was  
15 Presented as follows.)

16 MR. GROGAN: Mr. Chair, Board members, good  
17 morning.

18 My name is Pete Grogan. I'm the Manager of  
19 Market Development for International Paper's Industrial  
20 Packaging and Recycling business. I'd like to also thank  
21 you for the opportunity to be with you this morning to  
22 discuss these important issues and allowing us to have a  
23 voice.

24 In my brief time with you today, I would like to  
25 talk about three matters.

1           First, I'll introduce International Paper and  
2 acquaint you with our businesses, globally and in the  
3 State of California. I've provided you a fact sheet on  
4 both of those.

5           Second, I'd like to offer up a perspective that  
6 our real problem today is a short-term one, caused by the  
7 recession, and not one that requires significant changes  
8 to an already effective recycling system.

9           Third, I'll share with you some options we  
10 believe will shore up struggling recycling programs during  
11 the short-term economic crisis, without creating  
12 unintended consequences long term.

13           First, a bit about International Paper.

14           Although International Paper was founded in 1898,  
15 we're a relatively newcomer to the State of California,  
16 having acquired Weyerhaeuser's packaging container board  
17 and recycling business this past summer.

18           Today, across all of our product lines in the  
19 state, we operate in 50 facilities and we have 3,000  
20 employees in the State of California.

21           Globally, we are ranked 115th on the Fortune 500  
22 list with approximately 65,000 employees globally. We're  
23 one of the largest paper producers in the world. We make  
24 and sell paper and packaging in more than 20 countries.

25           Each year our recycling business recovers seven

1 million tons of paper of the approximately 55 million tons  
2 of paper collected in the United States. And in our mills  
3 we use four million tons of paper -- recovered paper to  
4 produce new recycled content products.

5           Within the breadth of our operations in  
6 California, we play three primary roles:

7           One, we operate a mill, a 100 percent recycled  
8 content mill in Port Hueneme, where we make container  
9 board packaging. Unlike our good friends that spoke  
10 already this morning, they make cartons, we actually make  
11 the boxes that the cartons go into. In Port Hueneme, we  
12 make paper stock for paper bags and we make boxes.

13           Eighty-seven percent of the product we make in  
14 Port Hueneme stays within the state for packaging  
15 primarily for the agricultural industry.

16           Second, we are a collector and processor of  
17 recyclable materials. We operate recycling facilities in  
18 San Francisco, in West Sacramento, and in Los Angeles.  
19 And we're just in the final stages of completing a  
20 state-of-the-art multimillion dollar new facility in  
21 Sacramento to service the business and governmental  
22 community here locally.

23           So we share your goal. We definitely share your  
24 goal of increased recovery in the state and have invested  
25 millions of dollars in the state in our recycling

1 infrastructure.

2 Third, we are a significant exporter of recovered  
3 paper from the State of California. Through the mills  
4 of -- through the ports of Los Angeles, Long Beach and  
5 Oakland, we have supply obligations throughout the world,  
6 and most particularly in Asia, for supplying recovered  
7 paper over the long term.

8 This brings me to my second point. Our real  
9 problem today is a short-term one, caused by the  
10 recession, and not one that requires, in our opinion,  
11 significant changes to an already effective recycling  
12 system.

13 Because we play so many roles within the  
14 recycling industry, we have a vested interest in an  
15 infrastructure that works for all participants in the  
16 supply chain.

17 California's recycling program has been a perfect  
18 example tested over the long term. By all accounts,  
19 California has the country's most effective recycling  
20 infrastructure, with a 54 percent recovery rate, which you  
21 should be very proud of, thanks to the efforts of this  
22 Board, the DOC, local governments, the recycling industry,  
23 and others.

24 In fact, until last October, the end-use market  
25 situation for paper in this country looked dramatically

1 different than it does today. In the last several years,  
2 rising demand for recovered paper outpaced the increase in  
3 actual recovery, and recovered prices reached record highs  
4 in the last year.

5           The problem we face again today is short term,  
6 caused by the severe economic recession. While none of us  
7 know when the economy will rebound, we are confident in  
8 time that it will.

9           Don't get me wrong, the issues today that we are  
10 facing are significant, but temporary. The recycling  
11 system in place in California, in our opinion, is not  
12 broken. So we consider how to influence -- so as we  
13 consider how to influence this near-term crisis, we feel  
14 the adoption of solutions that can have an immediate  
15 impact are important.

16           At the same time, we need to be careful that  
17 today's answers do not lead to unintended consequences  
18 once the economic environment begins to improve. For  
19 those reasons, we believe additional regulatory mandates,  
20 like recycled content legislation and advanced disposal  
21 fees, are not the most effective.

22           Why? For one, regulatory action will likely take  
23 too long to provide any near-term relief. We could well  
24 be on our way out of the recession by the time new  
25 regulations come into play.

1           Second, once demand starts to rebound, driven by  
2 economic recovery, these same regulatory initiatives could  
3 actually overinflate demand for recovered paper.

4           Prior to the recession, recovered paper demand  
5 was actually growing faster than recovery rates in the  
6 U.S., causing a strain, primarily because of all the new  
7 demand in China. China only has four percent of the  
8 world's forests, so China is heavily dependent on  
9 recovered paper to manufacture their paper. China for the  
10 first time last year produced as much paper as the United  
11 States, approximately 90 million tons of paper, because  
12 China's citizens are demanding paper products that they  
13 hadn't had historically and because China is packaging  
14 products to ship to the world.

15           Our Port Hueneme mill has had the highest  
16 manufacturing cost of any of our U.S. paper mills -- any  
17 of our U.S. recycled paper mills, largely because of the  
18 high cost of recovered paper, driven up by export demand,  
19 and because of the high cost for environment for labor,  
20 energy and transportation.

21           Regulatory efforts to inflate long-term demand  
22 would make it even harder for California paper mills to  
23 compete, in our opinion.

24           This panel has already heard from others who have  
25 provided statistics that chronicle the significant decline



1 in the California paper industry in the last six years,  
2 largely because of these high costs and overregulation.

3 My third and final point today is that  
4 alternative solutions could be as effective and enacted  
5 more quickly without the potential unintended consequences  
6 of regulatory action. For example, making additional  
7 storage available for recovered paper could create  
8 immediate short-term buffers during the downturn.

9 Another option we strongly advocate would be,  
10 like others that have come before you, to provide relief  
11 from state and local governmental fees. Other states do  
12 not have these fees. We believe these fees disadvantage  
13 California recycling companies from competing in rapidly  
14 growing export markets that depend on recovered materials.

15 There has been a dramatic shift in export. Ten  
16 years ago 15 percent of the recovered paper in the United  
17 States was exported. Today, over a third of all the  
18 recovered paper in the United States is exported. So that  
19 exportability, that export component is tremendously  
20 important.

21 Much of that growth, as noted, is driven by  
22 China. Demand in the region will continue to grow because  
23 of the country's reliance on recovered paper as a raw  
24 material for its paper mills.

25 Export demand from China and other regions

1 remains vitally important to the residential and  
2 commercial recycling infrastructure in this state and in  
3 this country that you have invested so much in developing.

4           Providing relief from things like PierPASS would  
5 encourage the export of recovered paper, further tapping  
6 into major sources of current and potential demand. While  
7 we acknowledge the intended benefits of PierPASS, the  
8 reality is that we sometimes are locked into daytime  
9 deliveries because of steamship schedules, trucker  
10 schedules, trucker availability, all of these factors  
11 being out of our control.

12           Similarly, Clean Air fees, while admirable in  
13 their intention, will be a financial disadvantage to  
14 recycling companies in this state. And embedded in our  
15 products, we have the environmental advantages that you're  
16 all familiar with.

17           Because we use independent truckers to ship these  
18 products, we have little or no way to impose the intended  
19 restrictions in the date of manufacturing of their  
20 equipment.

21           Many independent trucking companies are still  
22 reeling from several years of prohibitively high fuel  
23 costs. Many simply do not have the resources to invest in  
24 new equipment. Our only option is to absorb the cost of  
25 these fees. That provides no environmental benefit and

1 will eat further into our revenue stream.

2           PierPASS, end Clean Air fees, along with a myriad  
3 of city and county taxes, vis-a-vis City of Industry being  
4 one of the primary examples, will cost us hundreds of  
5 thousands of dollars on an annual basis, eating into  
6 revenues that, under normal conditions, are one thing, but  
7 under the exceptionally poor economy and low market  
8 conditions -- low market pricing are dramatic.

9           Another effective alternative is to continue, of  
10 course, the excellent work you and DOC have done for many  
11 years in promoting recycling and educating the public and  
12 the commercial community about the environmental benefits  
13 of recycling.

14           At International Paper we believe helping  
15 advanced recycling and recovery efforts is a part of our  
16 job as responsible global stewards, and look forward to  
17 working alongside with you in the future.

18           In closing, let me say again that this Board and  
19 the State have done an incredible job of building a  
20 recycling infrastructure that benefits everyone, including  
21 the rate and taxpayer and those that work in the industry.  
22 You should be very proud of those accomplishments.

23           Near term, because of the global economy  
24 meltdown, it is appropriate to act decisively to continue  
25 the flow of collected materials during the downturn.

1 Certainly, you do not want to take any steps backwards.

2 We salute your commitment on this front and again thank  
3 you for giving us a voice in this important discussion.

4 We, like you, do not want to see any steps  
5 backwards. It's so important to continue to push  
6 diversion. We increase and urge the Board -- excuse me.  
7 We instead urge the Board to consider nonregulatory  
8 alternatives that will make a measurable immediate  
9 difference in the short-term economic downturn.

10 We think it is extremely important that the State  
11 do everything in its power to keep every recycled paper  
12 mill that you have in the state viable for the long term.

13 We're eager to be part of the solution. As our  
14 time today is limited, we would like to extend an  
15 invitation to the Board and staff to visit our mill and  
16 engage in a half-day working session to address these and  
17 other alternatives in more depth.

18 Thank you.

19 CHAIRPERSON PETERSEN: Thank you, Pete.

20 And, yeah, we'll come to the mill. I'd like to  
21 do that.

22 Okay. David.

23 COMMITTEE MEMBER BROWN: Could I ask him a quick  
24 question?

25 When is the West Sacramento -- the new facility

1 opening up? Is that open?

2 MR. GROGAN: It is open -- it's open today. It's  
3 not fully open. We're about two weeks away from fully  
4 being open. And we're going to, of course, extend an  
5 invitation to the Governor and the Board, and hope you'll  
6 be with us for a ribbon-cutting ceremony that I think  
7 ideally we'd like to schedule for Earth Day.

8 COMMITTEE MEMBER BROWN: Great.

9 CHAIRPERSON PETERSEN: Thank you, Pete.

10 Okay. The metals industry.

11 David, thank you for coming, and we're looking  
12 forward to hearing what you have to say.

13 (Thereupon an overhead presentation was  
14 Presented as follows.)

15 MR. HIESTAND: Well, thanks for having me.

16 I am kind of caught on short notice. I was told  
17 about this meeting yesterday and tried to put something  
18 together and --

19 CHAIRPERSON PETERSEN: Yeah, but you're good.

20 You responded. Thank you very much, because  
21 you're an integral part of what we're doing.

22 MR. HIESTAND: I appreciate the opportunity to  
23 come here. I was asked by James Simonelli from the  
24 California Metals Coalition to come out and speak about  
25 the issues that concern our industry. And what we have to

1 talk about is very similar to what I've heard so far.

2 I hope you're right as far as this being  
3 temporary and short term, this meltdown that we're seeing  
4 right now. But I don't think we can depend on it  
5 happening very quickly. We just don't know what's going  
6 to happen in the future. And I want to talk a little bit  
7 about that.

8 And the other interesting thing that I just heard  
9 about China and paper, I found -- it really enlightened me  
10 when I heard that. I was up in a place called Shenyang,  
11 and I forgot my business cards. And I was looking for  
12 paper to print out some business cards on. It was not  
13 available. This was a couple years ago. So they do not  
14 have paper there. It is true.

15 I went to the copy machine just to get some  
16 paper. It was empty. It was kind of distributed by the  
17 guard, you know. It was very interesting.

18 (Laughter.)

19 MR. HIESTAND: At any rate, I'm Dave Heistand. I  
20 work for U.S. Pipe and Foundry. We are a supplier of  
21 water transmission products. It is the black pipe. It's  
22 made out of ductile iron that you may see on the side of  
23 the road. The stuff that we make is from 6 inch to 24  
24 inch in diameter. We are located in Union City and we  
25 have been there since 1951.

1                               --o0o--

2               MR. HIESTAND:   And here we are in 1951 or  
3   thereabouts.   This is a picture of the plant.   And this is  
4   the way we used to operate back in the fifties.   And this  
5   is probably something that nobody in Sacramento would like  
6   to see at this point, or anybody anywhere.   This is the  
7   way we were then.   This is the way that the rest of the  
8   country was probably up until 1970.   And because of lack  
9   of enforcement, this still goes on in some places, this  
10   belching of smoke freely.   And if you go to China, like I  
11   did a couple years ago, this is still going on.

12              The place that I went to, the whole entire valley  
13   was dead due to the fact that this is what was going on.  
14   This is no longer the way we operate.   And I have a couple  
15   photos to show our progression.

16                               --o0o--

17              MR. HIESTAND:   This -- whoa.   I went too far.  
18   Let me go back.

19              Okay.   This was a few years back.   This is  
20   probably about 2002.   And what you see here is a lot of  
21   inventory and a lot of materials that are spread around  
22   our facility.

23                               --o0o--

24              MR. HIESTAND:   And this is the latest photo of  
25   our shop.   It's a little dark, but it shows the same

1 thing, except for the inventory's all gone. And really  
2 that is a result of something we had to do. We have faced  
3 this turndown that's gone on for at least a couple years.  
4 We are entirely attached to the housing market. Housing  
5 starts really affects what we do. We're more of a leading  
6 indicator on that. So we are really looking for a  
7 long-term kind of buckle down for this situation. And  
8 we've had to do some major adjustments in which to do  
9 that.

10 And, you know, what we want to look at is what we  
11 can offer the rest of the people who are just starting to  
12 face this, the rest of the industry, what they can do to  
13 try and help themselves out of it. So I'm not here to  
14 have my hand out for something from you, but I do want to  
15 show you some routes of recovery.

16 --o0o--

17 MR. HIESTAND: And this shows our condition. If  
18 you look back, we go back to 2004. And really we are at  
19 less than half of the production that we were at back  
20 then. We have been dropping off steadily since probably  
21 '06, with the real big drop in '08. And we're expecting  
22 another 20 to 30 percent drop next year. We have had to  
23 downsize.

24 So, you know, we had to adopt a strategy of how  
25 to survive this thing. We basically thought we were not



1 going to survive as an industry due to what was happening.  
2 We're going to have to lay off our employees. As you all  
3 know, it's expensive to live here. Laid off employees  
4 would not be able to live, especially in the Bay Area.

5           So we had to downsize our workforce and find a  
6 way to continue to produce and that forced a big change on  
7 us. So we started working on the theory of constraints.  
8 In terms of the things that were affecting us the most, we  
9 went after those items in order to solve our problems.

10           And we got into lean manufacturing and waste  
11 reduction. And really that's what this Board is really  
12 all about, is waste reduction and ways to reuse that.

13           The progress towards a desired state, the route  
14 that we took in order to get this to happen is we started  
15 much -- a whole bunch of communication with all the  
16 people. We're a union shop and there's always been a  
17 distrust of the management. So we really opened up the  
18 books and opened up the people to what the problems were  
19 and got them involved in looking at what was going on, and  
20 helped them.

21           And really we went from being kind of a top-down  
22 "We're the smart people and we know how to run this  
23 business" to "What do you guys think and how should we go  
24 about this?" We became much more democratic in the way  
25 that we approach our work. It involved a lot of the

1 workers in the communications of what the real actual  
2 issues are.

3           So it's been really an eye-opener for me compared  
4 to how I used to operate and the way we used to operate.  
5 And we've survived. We've been able to continue to pay  
6 our employees, not as much, but we've been able to keep  
7 them working. And we've saved the money by reducing waste  
8 primarily.

9           And, you know, right now we're currently --  
10 rather than waiting around to die, we're looking at ways  
11 that we can expand our market as well.

12                               --o0o--

13           MR. HIESTAND: We do a lot of recycling of  
14 metals. We are one of the biggest consumers of metals in  
15 the Bay Area. And what we do is we bring in motor blocks,  
16 we bring in oil filters -- shredded oil filters, car  
17 bodies that have been shredded, construction materials.  
18 We melt weapons to take them off the market.

19           The other -- one of the other things that we did  
20 last year - and this is something that came out of an  
21 employee's suggestion - as we redesigned our plant, we  
22 came up with ways to streamline and reduce the amount of  
23 waste and energy use. We found an outfit that had ground  
24 asphalt that was waste that was going to go to a landfill.  
25 And we used that to put in a road, that's held up very

1 well. And it's, you know, getting to the rainy season  
2 here. We thought it would -- we were told it was going to  
3 fall apart, and it hasn't yet, and we're running our  
4 trucks in and out of the plant that way.

5 And, also, you know, a big thing is recycling  
6 water at our facility. We're looking at capturing the  
7 groundwater and getting it back into the ground when it  
8 rains, as opposed to letting it just run out to the bay,  
9 to try to stop the intrusion of salt water into the  
10 aquifer. And a lot of the product that we supply is used  
11 for recycled water as well.

12 --o0o--

13 MR. HIESTAND: The constraints. The constraints  
14 that we're looking at -- and this was something that we  
15 were asked to address when addressing you, and it was one  
16 of the questions is what are we looking at? Well, the  
17 economic downturn is obviously the biggest one and the way  
18 that we're tied to housing is a big one. We're hoping for  
19 an infrastructure spend. We'll see what happens there.

20 The foreign markets, the imports and the exports.  
21 There has been a big threat of imports of pipe into  
22 America. And it hasn't happened. It's happened only in  
23 one occurrence. And fortunately it's very expensive to  
24 ship because of the amount of air inside of it. At this  
25 point, there is no great way to bring it on shore yet.

1           But the export of materials has been a big issue  
2 as well. And the same thing that you guys have faced with  
3 getting the plastics offshore and the paper offshore, the  
4 same thing's happened. The commodity market was extremely  
5 hot as of last October, and it has really dropped. It  
6 probably dropped down to 20 percent of what it was in the  
7 last few months.

8           And so there's been a big drop out of that, which  
9 we -- you know, hey, great, low material costs. But  
10 there's nowhere to put it, so it doesn't really matter.  
11 There's no real demand for the product, or not much  
12 demand.

13           So there's a lot of fluctuations. And that is  
14 just the nature of capitalism at this point. And, you  
15 know, what we're looking at is how do we reduce that  
16 inventory and those fluctuations. And that's a lot of  
17 what lean manufacturing addresses.

18           Infrastructure and municipal cutbacks. As you  
19 know - I don't have to tell you guys - there's not a lot  
20 of money.

21           Environmental regulations. There's only one that  
22 I really want to highlight that I think is a threat to the  
23 business overall of what we're looking at here. And the  
24 one that I'd like to highlight is one that's faced, not  
25 our company, but a few companies in the metal industries;

1 and that is one of odor complaints. And odor complaints  
2 is something that can probably affect any industry. It  
3 could be a gardener. It could be someone growing flowers.  
4 If someone says it's objectionable and there's secondary  
5 people to say, yes, there is an odor there, there can be  
6 enforcement on that.

7 And that has come into play with groups that have  
8 gone in to just go after businesses and extort money out  
9 of them to grow their businesses. And that's something  
10 that will need to be addressed in the long run or it could  
11 be a big issue for anybody in the recycling industry or  
12 waste industry. And that's something that I was asked to  
13 bring up by the people who are on, you know, the  
14 California Metals Coalition.

15 Other than that, those are -- that's the biggest  
16 constraint I see. There are some problems that may be  
17 coming in the future with the greenhouse gas initiative  
18 and a level playing field. A lot of these manufacturers  
19 do have a carbon footprint. And sending it off does not  
20 really decrease the carbon footprint, and shipping the  
21 stuff back doesn't either. So that leveling the playing  
22 field there, there may be some issues.

23 --o0o--

24 MR. HIESTAND: So to help ourselves our survival  
25 strategy has been one of the theory of constraints and

1 going after the lean manufacturing and reduction of waste  
2 on site and defining beneficial reuse for our waste  
3 streams and finding other waste streams out there that we  
4 can use as well.

5           And, you know, the real environment for that to  
6 happen is to get -- the biggest waste I've seen in most of  
7 these businesses is not getting the engagement of all the  
8 employees, because the ideas are out there. And a lot of  
9 times they're in the workforce, and they're just not  
10 addressed, because we're too smart to listen to our  
11 employees, and we don't really provide a format for that.  
12 So providing a format for that is key. And getting  
13 everybody in alignment and expecting that out of the  
14 employees is key for survival, I think, of these  
15 businesses.

16           We have the collective responsibility to make  
17 sure that we take a hard look at these laws that are  
18 around and the legislation that's put in to make sure that  
19 we can continue to perform as civilization here and not  
20 fall apart because we bring in too much regulation to stop  
21 these things. So I'm not really looking for a lot of  
22 change there.

23           And overall I would like to offer a tour for  
24 anybody to come out and see the change that's gone on at  
25 our plant and offer that service to talk to them about

1 what they can do in their industry as well to help  
2 survive.

3 So that's all I've got for today.

4 CHAIRPERSON PETERSEN: David, thank you very  
5 much.

6 Okay. Then we've got a lot of information here.

7 And I think what we'd like to do is take a  
8 break -- a five-minute break, seeing the court reporter.

9 And so we'll be back here. And then we're going  
10 to take -- there's some speakers that want to speak. And  
11 then we're going to do some Q and A. Okay?

12 So about five minutes. Thank you.

13 By one o'clock, everybody. Oh, no, about --  
14 we'll be out of here by one o'clock today.

15 But how about a little bit after -- one minute  
16 after 12.

17 (Thereupon a recess was taken.)

18 CHAIRPERSON PETERSEN: Okay. We're going to get  
19 started again. Thank you, everybody.

20 And if our panel members could -- because there's  
21 going to be questions.

22 First of all, I think what I'd like to do is --  
23 we have several speakers who would like to address the  
24 Board and maybe some questions to our panel members.

25 I'd like to ask Karen Jarrell to please come

1 forward.

2 And please state your name for the record. And  
3 good afternoon.

4 MS. JARRELL: Good afternoon.

5 My name is Karen Jarrell. I'm with Smurfit-Stone  
6 Container Corporation and Smurfit-Stone Recycling Company.  
7 We're both manufacturers of paper products, paper  
8 packaging, as well as probably the largest recycler in the  
9 U.S. in our recycling division. And we have five  
10 container facilities in California, seven recycling  
11 facilities, with an approximate employment of about a  
12 thousand people.

13 I wanted to underscore some of the -- without  
14 repeating, some of the remarks that were made by my  
15 competitors and friends in the paper industry. We are  
16 going through some chaotic times, both from the recycling  
17 side as well as from the manufacturing side. Because when  
18 our customers don't have customers, we don't have  
19 customers from the manufacturing side. And it causes a  
20 hold on expansion, it causes a hold on modernization of  
21 our facilities, because capital is not there if our  
22 customers are not giving us money. Quite frankly, if  
23 we're not making money, we can't expand.

24 I would like to underscore one remark that was  
25 made by Crawford -- or Newark on the possibility of



1 grants. Those are more useful to us than tax credits,  
2 again because to utilize tax credits you need to be making  
3 money. The net operating losses sometimes cancel out tax  
4 credits, so we always like grants.

5           We appreciate the Board's actions that they have  
6 taken with these hearings, and especially the staff that  
7 is reviewing the three-part test for recyclers. Many of  
8 us in this room were involved in the original make-up of  
9 that reg years ago. And the situations have certainly  
10 changed since that time, especially with the change to  
11 basically single stream rather than having good clean  
12 quality. So we do appreciate and we're working with the  
13 staff on that.

14           But my main purpose - and unfortunately Pete beat  
15 me to it just a little bit - is to issue a blanket  
16 invitation to the Board members to visit our recycling  
17 plant here in Sacramento. It's on Florin-Perkins Road. I  
18 will follow up with -- and I'm already following up with  
19 one of your members -- to see the recycling aspect and the  
20 material that we're having to store now because of the  
21 markets, how we -- materials that we take in, including  
22 VOC materials redemption. And while it's close and  
23 convenient, we think it's state of the art as well. Maybe  
24 not as -- I haven't seen the new Weyerhaeuser plant. But  
25 we will be doing curbside service at ours in a few weeks

1 too.

2           So we appreciate your efforts, issue an  
3 invitation. I will follow up with your individual  
4 offices.

5           Thank you.

6           CHAIRPERSON PETERSEN: Thank you very much,  
7 Karen.

8           Our next speaker, William O'Grady.

9           Welcome.

10          MR. O'GRADY: Thank you, Mr. Chair, members of  
11 the Board. My name is Bill O'Grady. I'm Vice President  
12 and General Manager of Talco Plastics, a California  
13 processor of recycled plastic products, raw materials  
14 specifically.

15          Like Merlin Plastics of Canada and Peninsula,  
16 Talco operates a facility in Long Beach in an RMDZ that is  
17 specifically dated -- is specifically dedicated to  
18 high-density polyethylene postconsumer recycled raw  
19 material.

20          I urge this Board to heavily weigh the remarks of  
21 Steve Alexander today, specifically with regard to  
22 enforcement. Lack of effective enforcement of the RPPC  
23 law threatens the sustainability of the PCR plastic  
24 recycling infrastructure.

25          In addition, the work that this Board undertook

1 late 2007 to revise this and bring it to a timely cause,  
2 this work needs to be completed. It needs to be  
3 expeditiously completed. It's important to the  
4 sustainability of the plastic recycling postconsumer  
5 infrastructure.

6 And, finally, I think this Board needs to ensure  
7 that containers and packaging products entering California  
8 from countries outside North America comply with this  
9 landmark legislation.

10 Thank you very much.

11 CHAIRPERSON PETERSEN: Thank you, Bill. And I  
12 know of your company well and for a long, long time.

13 Thank you.

14 I can't read this very well.

15 Dennis, help me out here.

16 MR. SABOURIN: Sabourin.

17 CHAIRPERSON PETERSEN: Thank you, Dennis.

18 MR. SABOURIN: Thank you, Mr. Chairman and the  
19 Committee and Madam Chairman Brown and other members of  
20 the Waste Board. I am Dennis Sabourin. I'm the Executive  
21 Director of NAPCOR, which is the National Association for  
22 PET Container Resources. We are an industry trade  
23 association located in Sonoma, California.

24 I would like to echo the comments made by Mr.  
25 Alexander, particularly those comments for the enforcement

1 of the RPPC law. The enforcement of this law is a  
2 powerful demand-side initiative, which is necessary for  
3 the sustainability of the plastics recycling industry.

4 Thank you very much.

5 CHAIRPERSON PETERSEN: Thank you, Dennis.

6 Patty Moore.

7 MS. MOORE: Hello. My name is Patty Moore.

8 Thank you again for allowing me to speak. Very briefly  
9 this time, I promise. I was rather loquacious last  
10 meeting.

11 Today I'm representing the Plastic Recycling  
12 Corporation of California. That is a trade association in  
13 California for the PET beverage industry.

14 And the PET beverage industry strongly supports  
15 the enforcement of the existing RPPC law, as we see it as  
16 an important end-market generator for our products here in  
17 California, so that we don't have to send them to export.

18 So I'd like to reiterate our strong support of  
19 the enforcement of the law the way it is currently  
20 written.

21 Thank you very much.

22 CHAIRPERSON PETERSEN: Thank you, Patty.

23 Randy Pollack.

24 Afternoon, Randy.

25 MR. POLLACK: Good afternoon.

1 Thank you, Mr. Chairman, members of the Board.

2 Randy Pollack on behalf of a variety of product  
3 manufacturers.

4 I wasn't going to comment, but now the discussion  
5 sort of got into the RPPC. So I just want to make a  
6 couple general comments.

7 A couple years ago, there was an advisory board  
8 commission to look at the issues of RPPC: How can we  
9 refine the definitions?

10 Last year, the Board decided to adopt a draft of  
11 a regulation proposal. But during that hearing, we all  
12 discussed that maybe we needed to have further dialogue to  
13 make sure that the regulations would be set up a little  
14 bit more clearly.

15 I can tell you on behalf of product  
16 manufacturers, there's still confusion out there as to  
17 what is -- for example, what is an RPPC. Now, is this  
18 Container 1 is more of a container included under the law?

19 And so I would just request that as we go forward  
20 with the RPPC, I'm more than willing to come forward and  
21 have some product manufacturers sit down and continue the  
22 dialogue that we had established a couple years ago.

23 Thank you.

24 CHAIRPERSON PETERSEN: Thank you, Randy.

25 Okay. That's all for our speakers.

1           Now, I'd like to open this up to questions,  
2 especially for the Board members, to ask our panelists any  
3 of the questions that have come up.

4           Any questions?

5           BOARD MEMBER MIGDEN: I just wanted to -- push my  
6 button.

7           I was just intrigued, sir, with your discussion  
8 of China and the amount of recoverable paper and they had  
9 four percent of the forests.

10          So how do they handle the volume of the United  
11 States? Do they take paper from other places and then  
12 redistribute it? Or is it from their homeland?

13          MR. GROGAN: Surely. Again, because of the --

14          BOARD MEMBER MIGDEN: I think you've got to put  
15 your button on now.

16          CHAIRPERSON PETERSEN: Pete, put your button on.

17          MR. GROGAN: My button.

18          Because of the limited amount of virgin tree  
19 stock, at least at this point in time, as I noted, under  
20 four percent of China's land mass being forest. And  
21 China's land mass is about the same size as the United  
22 States. China is dependent upon recovered paper from  
23 within China for manufacturing, recovered paper from the  
24 external world, including, and primarily, North America  
25 and Europe. Then they're also dependent upon --

1           BOARD MEMBER MIGDEN: Then they reprocess that  
2 paper for redistribution?

3           MR. GROGAN: That's correct.

4           BOARD MEMBER MIGDEN: And that's the way that  
5 they accommodate their need, not having native trees?

6           MR. GROGAN: That's correct.

7           BOARD MEMBER MIGDEN: I see.

8           MR. GROGAN: So they'll use recovered paper at  
9 home. They import recovered paper from primarily Europe  
10 and North America. They also use some virgin paper stock.  
11 And they also use alternative fiber stocks which over time  
12 are actually being phased out because of a variety of  
13 reasons, including some of those alternatives being high  
14 pollutant. But they'll manufacture paper from rice, they  
15 manufacture paper from bamboo.

16           The new mills -- and by new mills, I would make  
17 the case that the new state-of-the-art mills that have  
18 been produced and constructed in California in the last  
19 ten years -- in China in the last ten years are really  
20 state-of-the-art facilities. They look just like mills in  
21 North America. And they are highly dependent upon  
22 recovered paper. And as I had noted in my testimony, for  
23 the last couple of years we've been running as quick as we  
24 could along with all of our friendly competitors in  
25 meeting that demand. The demand has been so --

1           BOARD MEMBER MIGDEN: Demand to get them the  
2 paper to reprocess?

3           MR. GROGAN: Correct.

4           BOARD MEMBER MIGDEN: Now, that's not something  
5 we do here?

6           MR. GROGAN: Yes, we --

7           BOARD MEMBER MIGDEN: We do here in the United  
8 States?

9           MR. GROGAN: Yes, we do. So when I noted that  
10 we're an end user at Port Hueneme, we're making new  
11 corrugated boxes -- liner board for corrugated boxes in  
12 Port Hueneme. So one part of our operation is supplying  
13 our mill with recovered paper to make new recycled content  
14 paper. And then at the same time we're exporting to the  
15 international market. And a very high percentage of the  
16 recovered paper in the State of California is exported.

17           BOARD MEMBER MIGDEN: To China and other places?

18           MR. GROGAN: To China and other places, yes.

19           We tend to talk about China because it's the  
20 largest export -- the largest amount of export of  
21 recovered paper is going to China. But Vietnam, Thailand,  
22 numerous other countries are making use of paper. And a  
23 lot of recovered paper, especially from southern  
24 California and the southwest, flows into Mexico. Mexico  
25 manufactures a lot of recycled content paper.



1 BOARD MEMBER MIGDEN: Very well.

2 Thank you, sir.

3 MR. GROGAN: Surely.

4 CHAIRPERSON PETERSEN: Okay. I heard a lot about  
5 PierPASS. Can we talk a little bit about this and what's  
6 going on.

7 And PierPASS is structured under a nonprofit  
8 organization, which is operating in the ports on fees for  
9 using the ports, et cetera, that the steamship companies  
10 have put together. How does this all work? Can someone  
11 explain this to me?

12 MR. GROGAN: Unfortunately, I'm not able --  
13 although I was the one making note of the fact that we  
14 would like to be exempted from PierPASS, I'm not able to  
15 explain all the details. I can tell you that we're  
16 required to deliver to the port -- if we deliver to the  
17 port during daylight hours, we're charged a \$100 fee for  
18 each container of recovered paper we take to the port. If  
19 we deliver after hours, we're exempted from that fee. And  
20 to my point earlier, we don't have control over what hours  
21 of the day. We ask our truckers to do what they can to go  
22 in in the off-hours, but we don't have complete control.

23 So in a situation today where the value of the  
24 material is severely depressed from four months ago, a  
25 PierPASS could represent a very large portion of the value

1 of the material.

2 CHAIRPERSON PETERSEN: And you have no -- I mean  
3 there's no control over when the -- the ships are there,  
4 they got to load. And it doesn't matter if night or day,  
5 they're there, you got to bring the materials if you want  
6 to get on Board and ship it to your customers, right?

7 MR. GROGAN: Exactly. And, again, we understand  
8 and appreciate --

9 CHAIRPERSON PETERSEN: This is like put your  
10 hands in the air. I mean jeez.

11 MR. GROGAN: We understand and appreciate why  
12 PierPASS was put in place, to drive traffic to the evening  
13 hours, the nighttime hours. But we feel embedded in our  
14 products are all the environmental goods that you're  
15 familiar with and therefore seeking an exemption to  
16 PierPASS would be legitimate.

17 CHAIRPERSON PETERSEN: Okay. Yes, Patty.

18 MS. MOORE: Can I add to that just a little?

19 CHAIRPERSON PETERSEN: Well, you need to come to  
20 the mic, will you, please.

21 MS. MOORE: It's really not a matter if the ships  
22 are there, you've got to load -- bring the material at  
23 this period of time. When you get an export booking, you  
24 generally have ten days to get the material to the port.  
25 You get the booking and you have ten days. Okay? So

1    though my -- the PRRC exports a lot of material, we  
2    strongly support PierPASS, because it is the right  
3    environmental thing to do.

4                Sorry, Pete.

5                But we ask our buyers to cover that cost. And so  
6    that does, in fact, lower the value of the material  
7    slightly, but it is changing behavior. And the idea is to  
8    try to reduce the smog cloud that occurs over the ports.  
9    And I think that this might be in the realm of a  
10   short-term good for a long-term loss personally. If you  
11   are going to mess around with it, then I would only make  
12   it for a month or two at the most.

13               And to be perfectly honest, I don't think that  
14   this Board has the capacity to make that happen as quickly  
15   as it would need to happen. I could be wrong, but I don't  
16   think so.

17               Therefore, I would recommend that that not be  
18   messed with. It is, I agree, a bigger percentage now.  
19   But it is a positive environmental, especially for the  
20   people who live near the ports, which do tend to be the  
21   lower income folks.

22               CHAIRPERSON PETERSEN: Right. Well, we don't --  
23   it's not our jurisdiction. But I wanted to have the  
24   explanation out there for everybody to understand what it  
25   means and what's going on and the different views of the

1 industry.

2 John.

3 BOARD MEMBER LAIRD: This has been very helpful.

4 And I have to say, given the fact that three newly former  
5 legislators up here, when some of you talked about  
6 unhelpful legislation, we kept worrying to see if you were  
7 going to get near anything we'd done.

8 (Laughter.)

9 BOARD MEMBER LAIRD: And I didn't hear anything,  
10 so that was a good thing.

11 I think what I wanted to ask is just very basic.  
12 And I really appreciate the depth of each of your  
13 presentations. But the basic part of it is is somebody  
14 that's new on the Board, but somebody who was sort of  
15 instrumental in a curbside recycling program, that's now -  
16 I don't know - 26 or 27 years ago where our big issue was  
17 the markets at that point. And so much has been done by  
18 this Board over the period of time to help create the  
19 markets and to do things that impact the markets in a good  
20 way so that it's where it was before the economic  
21 meltdown.

22 I heard you all say clearly that the system over  
23 the long term is one that's been successful and works and  
24 don't change it or don't mess with it. And yet we're  
25 faced with the dilemma of a short-term meltdown or what we

1 hope is a short-term meltdown at the international level  
2 that's changing the success of what has worked in sort of  
3 the markets for recyclables. And the question to me  
4 that's just so simple is, is how do you try to help over  
5 the short term without breaking down those long-term  
6 forces that have made it so successful?

7 And I just never heard anybody quite talk about  
8 it, because you were all in your silo of your product,  
9 about what to do about that that might be within the  
10 jurisdiction of the Board. And I know the staff is going  
11 to respond at some point. But that's what was of interest  
12 to me, is there something we should be thinking about that  
13 won't affect those long-term trends that, you know, even  
14 if it's -- I hate to say it out loud -- even if it's  
15 dealing with storage in a different way over the short  
16 term? But what are those things if there's something that  
17 we should be thinking about?

18 CHAIRPERSON PETERSEN: Anybody?

19 Crawford, help us out.

20 MR. CARPENTER: Jeez, that's a tough one.

21 Well, it's difficult because, you know, you're  
22 asking what should you be doing long term. Yes, long  
23 term, if there was an opportunity to have some type of,  
24 we'd say, local consumption, you go back to how do we  
25 become competitive in the State of California? The seven

1 mills that were shut down, they weren't competitive. So  
2 what do we need to do? We need to figure out how do we  
3 make those mills competitive and what keeps them  
4 noncompetitive? And, you know, maybe some of the things  
5 could be some of the legislation that's passed. Yes,  
6 energy isn't something that -- I don't know whether the  
7 State can do that much about. But they've had some severe  
8 energy, but that was a worldwide, a national energy  
9 crisis. But --

10 BOARD MEMBER LAIRD: There was a state-specific  
11 energy crisis.

12 MR. CARPENTER: Well, then --

13 CHAIRPERSON PETERSEN: Yeah, there was.

14 MR. CARPENTER: Well, let's put it this way -- I  
15 don't want to point fingers, but --

16 CHAIRPERSON PETERSEN: Crawford, just real quick.  
17 Just a question. Is this a matter on these mills -- I  
18 know, being competitive, is this -- is retooling and  
19 upgrading, modernizing the plants so they can handle  
20 materials more efficiently, is that part of this?

21 MR. CARPENTER: When you say handle the materials  
22 more efficiently, do you -- you know, for example, yes,  
23 maybe we could, at some of our mills, handle a lower grade  
24 of material. But that requires --

25 CHAIRPERSON PETERSEN: Are you meaning the

1 cleaning systems or --

2 MR. CARPENTER: Yes, that's cleaning systems,  
3 that's capital investment. Then we're back to what I had  
4 mentioned about, you know, we need some help -- you know,  
5 with what's going on right now, you don't have access to  
6 the capital dollars or it's not going to be what you'd  
7 call a vibrant capital investment. You know, we had  
8 looked at our mill in southern California using lower  
9 grade material. But some of the constraints may be - and  
10 they're still evaluating it - is that the money that you  
11 may get -- or the invested capital, because of your energy  
12 costs, you can't get a pay out --

13 BOARD MEMBER LAIRD: But am I not hearing that  
14 these were long-term problems that were going to be  
15 long-term problems somewhat even if there wasn't the  
16 economic meltdown, about your mills not being competitive?

17 MR. CARPENTER: Well, our mills are still running  
18 right now and are competitive. I was talking about the  
19 mills that have shut down. Those mills weren't  
20 competitive. The ones that are running now are  
21 competitive.

22 BOARD MEMBER LAIRD: But what I'm driving at  
23 is -- what my question was about is what to do over the  
24 short term since the long term, I heard testimony, was  
25 generally headed in the right direction and don't mess

1 with it.

2 And I thought that was a long-term discussion  
3 that you were having when I was trying to see if there  
4 were some short-term things that we should be doing.

5 MR. CARPENTER: I don't have any suggestions for  
6 you there.

7 BOARD MEMBER LAIRD: Yeah. And that's not to  
8 take away with what you said about the long-term stuff  
9 and --

10 MR. GROGAN: I would like to also attempt to  
11 answer the question being asked.

12 We've extended that invitation for the mill. And  
13 I'm not a mill expert. I'm on the supply side. So we'd  
14 like members of the Board and staff to meet with our mill  
15 community colleagues where we will put forth both short-  
16 and long-term opportunities to get to the heart of the  
17 matter here. So that in an ideal world that mill will  
18 continue to be a competitive mill. And not being an  
19 expert on those subject matters, I would like to get you  
20 and our subject experts together on this.

21 In addition to that, I've noted today that there  
22 are local governmental fees that are, quite candidly, an  
23 annoyance when it comes to trying to deliver a service.  
24 So in the City of Industry, for instance, we're taxed on  
25 every recycling bin or container or toter or roll-off box



1 we put out to collect recyclable materials. And then  
2 we're taxed over and above that on every ton of materials  
3 we collect within the community.

4           So we would like a state exemption in relation to  
5 city government, local government as to the taxes. And  
6 then over and above that, as I've noted, we have PierPASS  
7 today. And then as I best understand it, not being a  
8 resident of California, the new Clean Air Act will again  
9 run into six figures for us when the State begins  
10 collecting or whatever governmental agency is the  
11 collector on the new clean air requirements. And, again,  
12 that's somewhere in the neighborhood of a hundred dollars  
13 per container if the trucking agent delivering the product  
14 to the port is not doing it in equipment that was  
15 manufactured post-2007.

16           So as far as immediate, I'd love exemptions from  
17 all local government taxes and fees on recycling. We  
18 would like exemption from PierPASS and the clean air  
19 activity that's about to be implemented. As a mill end  
20 user, we will answer that question for you in preparation  
21 for our face-to-face meeting.

22           Thank you.

23           CHAIRPERSON PETERSEN: Thank you, Pete.

24           Chairman. Sheila.

25           BOARD MEMBER KUEHL: Thank you.

1           Mr. Grogan, I wasn't surprised at all by your  
2 testimony. I boil it down into three sentences. Please  
3 diminish regulation, cut our fees, and none of that dumb  
4 legislation.

5           So I totally understand that. But perhaps you  
6 wouldn't mind if we added a health care fee then, because  
7 the State is picking up an enormous amount of cost because  
8 of the pollution around the ports.

9           And it's fine to speak within a silo, and you're  
10 invited to speak within a silo. That's, of course, why  
11 you're here and why you talk to us. But when you have to  
12 look at larger policy, I'm sure you understand that the  
13 State can't continue providing inhalers for 50 percent of  
14 all the young people who live in those corridors. And,  
15 you know, we're not causing the pollution, but we have to  
16 pick up the cost of it.

17           So I appreciate that these things create further  
18 difficulties for business, but we felt there were larger  
19 impacts.

20           Two questions, just as sort of a Devil's advocate  
21 or perhaps just as a -- this must be a dumb question, but  
22 maybe all questions are dumb when you get down to it.

23           China is a very large market for a lot of our  
24 materials. And there was testimony -- I think, Mr.  
25 Carpenter, you indicated early on that that creates a

1 problem because when this enormous purchaser or client all  
2 of a sudden has a downturn, the impact is devastating on  
3 our industries. But supposing that we developed a hundred  
4 percent markets in the United States for these materials,  
5 and now we have this same downturn, wouldn't we be  
6 experiencing the same problem even if we're not sending  
7 the stuff to China?

8 MR. CARPENTER: That would be conceivable, yes.

9 BOARD MEMBER KUEHL: So, in a sense, the problem  
10 is not that we're sending things to China and depending on  
11 them, or Vietnam or India or whoever's going to buy it? I  
12 mean, it's very interesting, we talk a lot about being  
13 competitive. I've been to -- the Senate allows us to make  
14 visits, the State Senate, to other countries to interface  
15 with other governments if we pay for it ourselves, which  
16 we do. Not any sponsorship and not any tax money, just  
17 us. But the itineraries are fascinating. And so I  
18 went -- I've been to 25 different countries over my time  
19 in the Senate talking to a lot of people about -- and they  
20 essentially are very much like California. They need to  
21 develop markets. They need to develop capacity within  
22 their country. Although we're like pretty much of a  
23 country compared to many, so that we can put people to  
24 work and, you know, et cetera.

25 They're all looking at global markets. So, is

1 the reason that we're talking about -- and, again, it's --  
2 I don't want to create a heresy here -- but the reason  
3 we're talking about developing markets in California is  
4 really mostly about jobs; is that correct? Because  
5 otherwise, it wouldn't matter to you where you sell the  
6 stuff or where it goes. Correct me, please, if I'm wrong.

7 CHAIRPERSON PETERSEN: Can I take a crack at  
8 that?

9 BOARD MEMBER KUEHL: I guess.

10 CHAIRPERSON PETERSEN: For me --

11 BOARD MEMBER KUEHL: Is that because the panel --

12 CHAIRPERSON PETERSEN: Oh, they know. They know.  
13 I'm going to let them -- you want me -- go ahead. You  
14 guys -- one of you guys answer this one.

15 BOARD MEMBER KUEHL: You're the Chair. I mean,  
16 you can always talk if you want to. But --

17 CHAIRPERSON PETERSEN: No, that's all right.

18 MR. HIESTAND: I'll take a shot at it.

19 CHAIRPERSON PETERSEN: Yeah, go, David.

20 MR. HIESTAND: You know, I'd gladly take a shot  
21 at it.

22 You know, I think it's a bad job since  
23 stabilizing the tax base here is part of it. But the  
24 other part is, what is best for the overall environment?  
25 When you talk about the environment, it's not just

1 California. It's the world. And transporting these  
2 things around is waste. So if we can keep them within, we  
3 reduce that footprint of carbon that gets put out. And,  
4 really, that's got to be something we target.

5 COMMITTEE MEMBER BROWN: Well, you also  
6 mentioned, David, earlier about a level playing field.  
7 And I think one of the points you made that maybe is an  
8 additional answer to this is that by shipping the  
9 materials to China, they're not adhering to the same laws  
10 and it's not a level playing field to sell there and come  
11 back --

12 MR. HIESTAND: Just picture where we were in  
13 1950. That's what's going on in China. Is that -- that's  
14 getting here too, you know --

15 COMMITTEE MEMBER BROWN: Well, I think the  
16 environmental benefits or cause of environmental concern  
17 we're concerned about with AB 32, especially in this  
18 market, that we're not just shipping all of our waste to  
19 someplace else. And that manufacturing is not adhering to  
20 the same kind of California standards. I know we've seen  
21 that in some of the other material types.

22 MR. HIESTAND: Yes, I agree. Yeah, I think  
23 that's exactly it.

24 MR. ALEXANDER: Mr. Chairman, if I may, on that.

25 I think the question comes down to, if you want a

1 plastics recycling industry infrastructure in this  
2 country, we will do whatever we can to continue the demand  
3 in this country. Otherwise, we can off-shore the jobs  
4 just like we do in any other industry. Recycling industry  
5 is no different than any other manufacturing industry.

6           If you've been to China, the plastics recycling  
7 industry there is comprised of at least 60,000 small  
8 plastic reclaimers. And if you want to get into  
9 environmental impacts, we'd be happy to come back with a  
10 slide show of what the plastics recycling infrastructure  
11 looks like in China relative to what it looks like in the  
12 United States.

13           We're talking about wash lines that are  
14 essentially ditches on the side of the road with a garden  
15 hose. We're talking dryers that are something that came  
16 out of Sears scratch-and-dent type scenario. These are  
17 primarily very small operations with fairly significant  
18 environmental impacts.

19           And, again, the primary consideration for us is  
20 you've got material coming into this country that  
21 allegedly is, you know, recycled content. We don't know  
22 that.

23           So I think that while -- if you say we operate in  
24 a global economy, yes, we do. And if we want to operate  
25 in that global economy, we want to be competitive, we want

1 to be competitive from a price standpoint, from a demand  
2 standpoint, et cetera. Plastics recyclers already operate  
3 in the global economy on a demand side -- on a supply  
4 side. We have to source all over the world. I mean, it's  
5 incredible to me that we have 54 percent of the material  
6 that was collected for PET last year that is being shipped  
7 overseas to China. And yet some of our members, some of  
8 them sitting here today, are sourcing material in Israel,  
9 China, Bolivia, Portugal. I mean, this is absurd. I  
10 mean, the transportation costs -- the environmental  
11 implications of simply shipping stuff back and forth  
12 across the oceans is incredulous.

13           So, you know, we are -- I think people tend to  
14 look at the recycling industry sometimes as sort of this  
15 different industry. We're subject to the whims of the  
16 environment and competition as much as anybody is.

17           BOARD MEMBER KUEHL: Thank you.

18           I have an additional question to you on a  
19 different matter, if I may.

20           The testimony that was given about to please just  
21 enforce the law, because by not enforcing the law -- and  
22 you were talking about audits -- then, you know, what's  
23 the use of the law? Can you tell me why or what you've  
24 been told is the reason for this, as you've characterized,  
25 lack of enforcement?

1           MR. ALEXANDER: Well, it's primarily the way the  
2 system is set up is really a staff-driven process. The  
3 impetus is on the staff that is forced to select a number  
4 of companies to audit. They send out the audits and they  
5 get their audits back and they review the audits. The  
6 impetus in the requirement is not on the consumer  
7 packaging companies bringing material into the State of  
8 California, and the staff is resource constrained as  
9 anyone else is in that situation.

10           So I don't think it's from a lack of will in  
11 terms of the staff. Although, there has been some  
12 significant turnover and things of that nature. But this  
13 has been an ongoing problem. So it's really the way  
14 that -- you know, the complete responsibility for auditing  
15 the system is placed upon -- you know, it is a demand pull  
16 by the staff. They have to create the audit system, then  
17 they have to monitor who allegedly is bringing material  
18 into the state. Then they have to select a number of  
19 potential auditees, if you will, based upon the resources  
20 available to them at any given year and then send it out  
21 and then bring them back and review them.

22           So it's a fairly laborious process, I think, for  
23 the staff. You know, again, our suggestion was sort of to  
24 reverse the responsibility, if you will, and that anybody  
25 bringing material into the State of California, anybody



1 selling -- anybody whose label's on the State is required  
2 to, say, submit a return or compliance form on line, and  
3 then the staff, you know, select them randomly to ensure  
4 compliance. And that way we just thought that would make  
5 a little more sense.

6 BOARD MEMBER KUEHL: Thank you.

7 Thank you, Mr. Chairman.

8 CHAIRPERSON PETERSEN: Thank you.

9 On the metals market, David. The materials you  
10 receive is mostly from, you know, like C&D facilities,  
11 construction and demolition debris, a lot of this stuff  
12 out of the -- I guess, the residuals out of the production  
13 industries that you use and arms, guns and things of that  
14 nature. How much of this material -- I mean, are you  
15 sourcing this material in the state here or are you  
16 bringing in from out of state so you can get enough of  
17 this material?

18 MR. HIESTAND: I'd say historically 90 to 95  
19 percent of it's been just local to the Bay Area. You  
20 know, probably the furthest place that we typically get it  
21 out of is Bakersfield.

22 CHAIRPERSON PETERSEN: And the steel cans from  
23 curbside collection are high-grade metal that goes into  
24 that material?

25 MR. HIESTAND: That is one thing that I was going

1 to -- we've looked at recently. And cans end up being  
2 with so much, you know, impurities in them. There's a lot  
3 of plastic bottles and there's a lot of tin cans. And tin  
4 is bad for our process. We have not been able to use them  
5 as yet.

6 CHAIRPERSON PETERSEN: Because of the alloy in  
7 the metals?

8 MR. HIESTAND: Yes.

9 CHAIRPERSON PETERSEN: Is it steel?

10 MR. HIESTAND: But, see, there's still enough tin  
11 cans out there that the percentage of tin is too high to  
12 be effective in our process.

13 CHAIRPERSON PETERSEN: So a lot of the steel cans  
14 now that are produced have a different kind of coating  
15 than tin?

16 MR. HIESTAND: There's a plastic coating on the  
17 interior. And those are better. If they could be  
18 separated from those that contain tin and packaged a  
19 little bit -- with a little less trash, it would be a very  
20 effective metal for us to use.

21 CHAIRPERSON PETERSEN: Interesting.

22 And we don't have any de-tinners in the state  
23 anymore to take the tin off the steel cans. The last one  
24 was in southern California that I know of. So I'm just  
25 asking the question, because I'm interested in how your

1 supply -- but you get plenty of your supply from just the  
2 Bay Area?

3 MR. HIESTAND: Yeah, only recently have we gone  
4 out of state. And we have some stuff that has been railed  
5 in from, I believe, Idaho. But that's a real small  
6 percentage of what we melt.

7 CHAIRPERSON PETERSEN: Great.

8 BOARD MEMBER MIGDEN: Don't the guns come from  
9 L.A. though?

10 (Laughter.)

11 CHAIRPERSON PETERSEN: Probably most of the guns  
12 come from L.A.

13 BOARD MEMBER KUEHL: I never saw a gun in San  
14 Francisco.

15 (Laughter.)

16 BOARD MEMBER MIGDEN: We don't have any.

17 MR. HIESTAND: You'd be surprised where they come  
18 from because -- I'll tell you a story about it some time.

19 CHAIRPERSON PETERSEN: Now, I'd like to -- is  
20 there any other questions?

21 Oh, you have a comment.

22 Madam Chair.

23 COMMITTEE MEMBER BROWN: Well, I just -- I want  
24 to thank all of you for taking the time to be here and  
25 providing the input and answering the questions. I think

1 from my perspective, the answer to your question from a  
2 Board member's standpoint is that, you know, I think what  
3 I've heard, especially over the last three years, is that  
4 the global economy is what helped catapult California in  
5 the success of 939 and getting us to build up the  
6 infrastructure and move the materials. I mean, that's  
7 what's gotten us from ten percent to 58 percent, is the  
8 ability to trade these commodities on a global  
9 marketplace.

10 But, you know, I think we've long known, and the  
11 economic downturn has shined a very bright light on, the  
12 fact that we need to look at diversification. One of it  
13 is creation of jobs here in California - green jobs. We  
14 know the Governor is very, very supportive of creating  
15 green jobs and green technology in the state. As we look  
16 at AB 32, and what California needs to do to be successful  
17 in reduction of climate emissions, it's, you know, to  
18 diversify. And recycling is the greatest opportunity for  
19 local governments to comply with AB 32. And so we're  
20 going to see hopefully an increase to 60 and 75 percent  
21 recycling here in California. And where are those  
22 materials going to go?

23 So, you know, from my perspective, just hearing  
24 the input, you know, I certainly agree with Senator Kuehl  
25 on some of the points she made about fees. I look at

1 incentives to do the right thing and how we can  
2 incentivize and encourage. And we've heard very clearly  
3 from the plastics industry, you know, to enforce the laws  
4 on the book. And our intention is to do that, Steve.

5 And, you know, we need to find an effective way  
6 to make that law work. And that is what we're attempting  
7 to do in working with staff. I think that it was cobbling  
8 along for awhile and it was being somewhat successful.  
9 But it really needs to be effectively implemented, and I  
10 think that's our intention. And so, you know, I hope we  
11 will get that moving expeditiously, because I do believe,  
12 as you do, that that will help.

13 MR. ALEXANDER: Absolutely.

14 COMMITTEE MEMBER BROWN: So whatever incentives  
15 we can do or things that we can do in the short term to  
16 help, you know, move this in the long term is what we  
17 appreciate you bringing to us.

18 So thank you.

19 CHAIRPERSON PETERSEN: Thank you.

20 Sheila.

21 BOARD MEMBER KUEHL: Yeah. I apologize if I, I  
22 don't know, threw a rat in the middle of the kittens. But  
23 it's not that I always believe what I just said. But  
24 sometimes the presentations - no offense, and this wasn't  
25 necessarily one of them - are just a little sleepy and

1 kind of pedestrian. You know, we're going to say again  
2 what we've said to you before and we've been invited here  
3 to make those points. And you are invited to make those  
4 points.

5 But I think -- there's also public access to this  
6 hearing and it's on the record. And I think often we need  
7 to elucidate, or I feel like I want information said. I  
8 want it to be presented. I want people to understand that  
9 green jobs and all of the little labels that we're using  
10 for things today, it's not just labels. It really  
11 actually means something. So talking about transportation  
12 costs, talking about the insanity of sending things across  
13 the sea and getting them back, I think it's a very good  
14 thing.

15 I have been a very deep believer in creating as  
16 much work and sensible and clean work in California as can  
17 possibly be created. I am a regulation fan. I don't  
18 think that's a secret to anyone that followed my  
19 legislative career.

20 But I think that it also has to be made work,  
21 which is why I was looking forward and am happy to be on  
22 this Board, because enforcement is something which I  
23 haven't engaged before and I think it's the most important  
24 part really of law making.

25 So I want to thank the panel as well, not just

1 for presenting today but for the work. It's really  
2 important to the State and important to all of us. And  
3 I'm glad to be here.

4 Thank you, Mr. Chairman.

5 CHAIRPERSON PETERSEN: Okay. I'd like to thank  
6 you all. You're all, I mean, the superstars in your  
7 businesses and your industries. Big companies doing great  
8 stuff. We've got a lot to do. We've got a lot more to  
9 recover. We've got a lot on the side of greenhouse gases  
10 and it's going to take cooperation and interrelationships  
11 with all of us talking together. I mean, we started this  
12 stuff back in the seventies by all talking together.  
13 That's how they got it started. And international markets  
14 are important. The local markets are important. I'd like  
15 to expand them, so we can buffer some of the ups and  
16 downs.

17 And so that leads me into telling everybody about  
18 what we're going to do on the next panel, because we're  
19 going to ask some of the people that are in the industry,  
20 such maybe as WalMart or McDonald's, to come to the third  
21 panel and to explain and help us understand their process.  
22 Can they use more recycled content in their products here  
23 domestically?

24 I understand McDonald's has a 23 percent  
25 recycling rate in their paper packaging. Can that go to

1 70? Can that go to 65?

2 So the next panel is about let's close a loop  
3 here and see how much we can build more infrastructure by  
4 everybody talking about, "Well, we want to be  
5 sustainable." All these companies are talking about doing  
6 that, going green. So let's see how far we can push the  
7 envelope.

8 And I'd like to basically say thank you to all of  
9 you. You've been fabulous. And great information. And I  
10 know we're going to get more detail from staff because  
11 we'll get more interface in play coming back. And I'd  
12 like to thank you all very much.

13 (Applause.)

14 CHAIRPERSON PETERSEN: And with that, I --  
15 Howard?

16 LOCAL JURISDICTION, STATE AGENCY & BUSINESS  
17 ASSISTANCE PROGRAM DIRECTOR LEVENSON: Nothing.

18 CHAIRPERSON PETERSEN: Good.

19 Okay. I'd like to thank everybody for coming. I  
20 hope it was educational. And we'll move on from here.

21 Thank you.

22 (Thereupon the California Integrated Waste  
23 Management Board, Market Development and  
24 Sustainability Committee meeting adjourned  
25 at 12:47 p.m.



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11 I further certify that I am not of counsel or  
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14 IN WITNESS WHEREOF, I have hereunto set my hand  
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